REPORT RESUMES

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HISTORY OF EMPLOYMENT AND MANPOWER POLICY IN THE UNITED STATES. PARTS III AND IV, LOOKING AHEAD TO THE POSTWAR ECONOMY AND THE CONCEPT OF FULL EMPLOYMENT IN CONGRESS. SELECTED READINGS IN EMPLOYMENT AND MANPOWER, VOLUME 6.
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DESCRIPTORS- *HISTORICAL REVIEWS, *MANPOWER UTILIZATION, UNEMPLOYMENT, PUBLIC POLICY, *EMPLOYMENT, MANPOWER DEVELOPMENT, *FEDERAL LEGISLATION, SOCIAL PLANNING,

THE SELECTED READINGS WERE COMPILED TO PROVIDE SUBCOMMITTEE MEMBERS WITH A BROAD BACKGROUND OF DEVELOPMENTS LEADING TO THE EMPLOYMENT ACT OF 1946 AND ARE CONCERNED WITH THE FORMULATION OF U.S. EMPLOYMENT POLICIES FOLLOWING WORLD WAR II. PARTS I AND II (VT 004 819) PROVIDE THE HISTORICAL BACKGROUND FROM THE LATE 1920'S THROUGH THE GREAT DEPRESSION. REPRESENTATIVE SELECTIONS OF PART III, WHICH DEALS WITH THE POSTWAR ECONOMY, ARE--(1) "FULL EMPLOYMENT AFTER THE WAR" BY G. SOULE, (2) "POSTWAR BOOM OR COLLAPSE" BY S. SLICHTER, (3) "AFTER THE WAR--FULL EMPLOYMENT" BY A.H. HANSEN, AND (4) "HOW TO ACHIEVE FULL AND STABLE EMPLOYMENT" BY M.A. COPELAND. REPRESENTATIVE SELECTIONS OF PART IV, WHICH COVERS THE PASSAGE OF THE ACT, ARE--(1) "FULL EMPLOYMENT ACT OF 1945" INTRODUCED BY MURRAY, (2) "FIVE VIEWS ON THE MURRAY FULL EMPLOYMENT BILL" BY HANSEN, HARRIS, HABERLER, SLICHTER, AND MCNAIR, (3) "SUMMARY OF FEDERAL AGENCY REPORTS ON FULL EMPLOYMENT BILL" SENATE COMMITTEE, 1945, (4) "ASSURING FULL EMPLOYMENT IN A FREE COMPETITIVE ECONOMY, SENATE REPORT 583, 79TH CONGRESS," BY WAGNER AND RADCLIFF, AND (5) "CONFERENCE AND COMPROMISE" BY S.K. BAILEY. AN EXTENSIVE BIBLIOGRAPHY ON FULL EMPLOYMENT IS INCLUDED. THIS DOCUMENT IS AVAILABLE AS Y4L11/2--EM7/7/V.6 FOR $1.25 FROM SUPERINTENDENT OF DOCUMENTS, U.S. GOVERNMENT PRINTING OFFICE, WASHINGTON, D.C. 20402. (MM)

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HISTORY OF EMPLOYMENT AND MANPOWER POLICY IN THE UNITED STATES

PARTS III AND IV—LOOKING AHEAD TO THE POSTWAR ECONOMY AND THE CONCEPT OF FULL EMPLOYMENT IN CONGRESS

SUBCOMMITTEE ON EMPLOYMENT AND MANPOWER
OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE
UNITED STATES SENATE

VOLUME 6 OF SELECTED READINGS IN EMPLOYMENT AND MANPOWER

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

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INTRODUCTION

This volume is concerned with the formulation of U.S. employment policies following World War II. During the war, the excessive demands of the war effort had led to full employment and a variety of programs designed to promote the efficient use of the Nation's manpower. When the war ended there were many who were concerned about just how the Nation could make a smooth transition to a peacetime economy after the forced draft demands of wartime. This concern led to enactment of the historic Employment Act of 1946.

At the same time, the Congress also enacted one of the finest pieces of manpower legislation by approving a GI bill of rights which helped finance an education for the returning veterans. Sponsors of the legislation did not, of course, think of it in this way. To them, the GI bill was a partial payment to the veterans for the sacrifices they had made for their country. Its impact, however, has been profound in the development of the Nation's new labor force.

Not until the late 1950's when rising unemployment and the launching of sputnik dramatized critical shortages of high talent manpower in the United States was attention again directed toward manpower considerations as an element of employment policy. Materials related to wartime manpower programs, the GI bill, and the development of postwar manpower policy will appear in a subsequent volume of this series.

This volume starts with a full employment proposal for the postwar period prepared by the National Resources Planning Board in 1941, which was closer to the end of the depression than to the end of the war.

> * * * If things are left to work themselves out, what happens to the demobilized workers and veterans and their families? * * * Will the national income drop $15 billion or so as soon as pent-up demands are met? Will the succeeding drop in consumption throw others out of work, and reduce national production another $10 to $20 billion? If so, we shall be back again in the valley of depression. * * *

The two articles by George Soule cover an appraisal of the problems which would attend the shift from war to peace, how they were related to the views of Keynes, and the policies which would be needed to meet anticipated problems. According to Harvard Economist Sumner Slichter, writing in 1942:

> The problem of maintaining employment after the war falls into two principal parts: (1) the problem of transition, of shifting from a huge rate of Government spending back to private spending, and (2) the longrun problem of keeping busy a far larger and more productive plant than ever before.

This article is of more than passing interest because it expressed a recognition of the wartime boost to training of the labor force. "After the War—Full Employment" is a revision of "After Defense—What?" by Alvin H. Hansen, then a leading exponent of Keynesian economic thought and approaches to policy in the United States. He posed the postwar problem as "how to fill the gap when war expenditures are curtailed." The "economic bill of rights" which President Roosevelt dramatized later in his 1944 state of the Union message (see p. 2119 in this volume) appeared in the 1943 report of the National Resources Planning Board. The Board expired in midyear when the Congress refused to continue its appropriation. This was probably the most advanced stage that peacetime economic planning ever reached in the United States.

A congressional appraisal of "Postwar Economic Policy and Planning" is interesting by virtue of its look at full employment from the standpoint of the expected size of the postwar labor force, and its judgment about the dimensions of frictional unemployment. Among the recommendations for congressional action in this report was a proposal that ways be explored to provide financial assistance to workers for both retraining and relocation.

Julius Hirsh reviews some forecasts of postwar output and employment, and the discussion of how to achieve full employment is carried forward by Morris Copeland along with an extensive discussion of the causes of economic instability.

In "Economic Problems of the Reconversion Period," a report of the House Special Committee on Postwar Economic Policy and Planning in 1944, an attempt was made to state what "full employment" would mean in terms of the projected labor force, unemployment, size of the Armed Forces, and expected number of transfers between jobs. A major recommendation of this report was:

> * * * the extension and strengthening of the Public Employment Service. At present the Service, federalized for the duration of the war, operates 1,429 full-time and 2,038 part-time placement offices. Its functions include the operation of local and interarea labor exchanges, job counseling, the assembly and dissemination of basic information concerning work opportunities, the referral of workers to training agencies and to unemployment compensation offices, and the provision of a variety of specialized placement and referral services for veterans. The Service handled nearly 10 million placements in 1943.

This plea is striking by virtue of its similarity to current exhortations for an active manpower policy in the United States.

On December 18, 1944, the War Contracts Subcommittee of the Senate Committee on Military Affairs lauded the efforts which had been made to provide for a smooth transition, but which deplored the lack of measures to assure the continuance of a "sound economy." It was in this report that the Full Employment Act of 1945 first appeared. Stephen Kemp Bailey, presently dean of the Maxwell School of Citizenship and Public Affairs at Syracuse University, traces the progress of that bill through Congress. The final article in part III of this series is a chapter from Bailey's "Congress Makes a Law" which puts the bill in the context of Keynesian economics and the politics and politicians of the day.

Part IV of the series commences with Bailey's description of the personalities and forces which came to bear in the process of drafting the Full Employment Act of 1945. This is followed by the text of the bill as introduced. Leon Keyserling, who was later to become Chairman of the Council of Economic Advisers under President Truman, discusses the merits of the bill shortly after it was introduced. Alvin Hansen reviews Lord Beveridge's book "Full Employment in a Free Society," a work which stressed the value of a "long-term policy of planned public outlay (involving a systematic attack upon the giant social evils of want, disease, squalor, and ignorance * * *)." This would serve to reduce cyclical fluctuations and contribute to a sustained consumer demand.

Five distinguished Harvard economists presented their views on the Murray bill (S. 380, or the full employment bill) in August 1945. These are followed by statements and testimony on S. 380 from representatives of the administration, organized labor, the NAM, a social worker, and a liberal industrialist.

In June 1945, Senator Robert F. Wagner, a principal sponsor of S. 380, asked various Government agencies to give their views on the possible impact of the bill. Philip Murray, then president of the CIO, takes the Murray bill to task as an inadequate commitment to full employment. "Maintaining High-Level Production and Employment: A Symposium" is a series of commentaries on operational aspects of a national commitment to the full employment goal. "Assuming Full Employment in a Free Competitive Society" is the report of the Senate Banking and Currency Committee which accompanied S. 380 to the floor of the Senate. "Conference and Compromise" discusses the transition of the Full Employment Act of 1945 to the Employment Act of 1946. This volume concludes with an annotated bibliography on the literature of full employment prepared by Julius Allen of the Legislative Reference Service of the Library of Congress. Somehow this valuable document never found permanence in the Library of Congress or the records of the Senate Banking and Currency Committee.

JOSEPH S. CLARK,
Chairman, Subcommittee on Employment and Manpower.

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PART III.—LOOKING AHEAD TO THE POSTWAR ECONOMY

POST DEFENSE PLANNING PAMPHLET OF THE NATIONAL RESOURCES PLANNING BOARD, 1941

AFTER DEFENSE—WHAT?

Our greatest resource is men at work, a resource which is lost forever when men are idle. Full employment is, therefore, the key to national prosperity as well as individual welfare in the modern world of power, machinery, labor specialization and technology. In this world of growing economic interdependence, the individual can produce little working alone. Thus, step by step, men are experimenting with cooperative mass action to assure full employment.

The full employment we Americans seek must be, at the same time, free employment, unless we are to accept a new kind of economic slavery and lose those freedoms without which even material prosperity is not worth the price to men who cherish freedom and the dignity of man.

In this time of crisis, when we are pressing forward to defend our freedoms and our rights, our way of life, and our scale of values, we must not fail to take stock of the problem of full employment which we shall face again, when this world war is over, and we can turn once more from defense to peace, confident of our national security.

ACHIEVING FULL EMPLOYMENT

With all-out defense we are building up our production to unprecedented heights. Already we have more men and women at work, more wheels turning, more power being used, more freight moving, more shipways full, more goods being turned out, more workers in training and getting jobs, more commodities being purchased than ever before in our national history. In spite of awkward blockages here and there arising from the hasty and unbalanced character of this advance, we shall go on along these same lines, building up our total production for defense for another 2 to 3 years, unless, of course, Germany collapses before that time and the threat of aggression against us is ended.

Within 2 to 3 years, every available person will be at work, and we shall be producing all that we are capable of with the population, machinery, and technology then at hand.

Building up production takes time. No one can hurry growing crops. Similarly, when production grows, hundreds of processes, each leaning on the other, have to be expanded. Factories have to be built, and their workers and managers gradually molded into a smooth working team; the flow of supplies has to become regularized, one by one the "kinks" have to be ironed out of processes and the "bugs" removed from products after giving them hard use. Whole populations have to be shifted, and new towns built to house them and care for their needs.

All of this takes time. Careful studies of our own and foreign experience by competent experts indicate that this kind of shiftover and expansion cannot be made in a modern industrial economy at a rate much faster than we are moving now. In no single year, in the rapid expansion from 1933 to 1939, was totalitarian Germany, though marshaling all resources for war, able to absorb more than 1.8 million workers. For the United States, with a population twice as great as that of Germany, this would mean 3.6 million workers. And the average for the 4 years of greatest German expansion was only 1.4 millions, or 2.8 millions in terms of our population. In the best year of the boom period of the 1920's, we absorbed 3 million workers, while the average for the 4 best years was 2.2 millions. In the best year of the recovery of the 1930's, with no war in sight, we absorbed 2.9 million workers, while we averaged in 4 years 2.6 millions.

We may conclude, accordingly, that an average absorption of 2.5 to 3 million workers in the United States, and a maximum absorption of 4 million in a peak year, is all that can be achieved. On this basis, we may not attain full employment of our labor potential before 1943 or 1944. Even this rate of progress assumes about all the planning, foresight, drive and cooperation we can muster.

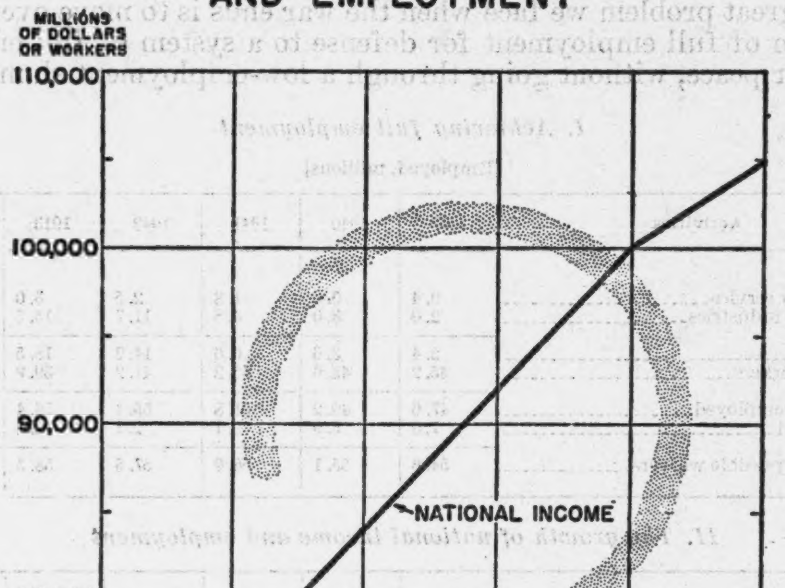
At this rate of upbuilding, it is possible to estimate at least roughly where we shall be from a production standpoint in 1944, or in any other year one may select as a possible or probable end of the defense effort. This is done in the following tables, the first of which estimates employment, and the second the resulting national income produced.

Table I shows the size of the problem we shall face when the war ends. If we take the year 1944, arbitrarily, as the end of this war, we find that the defense effort will then be absorbing the energies of about 23 million workers in war industries and about 3½ million in the armed services. Turning from defense to peace will, therefore, involve transferring from 23 to 26 million men back into peacetime activities. This is a colossal undertaking. It, too, will require time.

Table II shows that the workers of the United States can produce, under a system of full employment, $105 to $110 billion worth of goods and services once we are organized for it. In other words, a national income of $105 billion is perfectly possible. When we organize for maximum production on the basis of full employment, without being stopped by the costs, we discover, as have other nations, that increased production pays the real costs involved. Doing the job pays the bill. In other words, the central problem is not money, it is manpower, resources, and organization. At last we are beginning to see that finance was made for man, and not man for finance.

A modern nation cannot avoid balancing its total production-consumption budget. This can be done at a low level with a great deal of unemployment, inefficiency, and suffering; or it can be done at a high level, with full employment, high efficiency, and a better life for all.

THE GROWTH OF NATIONAL INCOME AND EMPLOYMENT



The full employment and prosperity which is coming with the defense effort proves that we can have a full employment system and balance the production-consumption budget at a high level if we are determined to have it so, because we do have the necessary manpower, resources, productive plant, and organizing ability.

Transition Without Unemployment

The great problem we face when the war ends is to move over from a system of full employment for defense to a system of full employment for peace, without going through a low-employment slump.

I. *Achieving full employment*

[Employed, millions]

Activities	1939	1940	1941	1942	1943	1944
Defense:						
Military service	0.4	0.6	1.8	2.5	3.0	3.5
Defense industries	2.0	3.0	4.8	11.7	15.5	23.5
Total	2.4	3.6	6.6	14.2	18.5	27.0
All other workers	45.2	45.6	45.2	41.2	39.9	33.0
Total employed	47.6	49.2	51.8	55.4	58.4	60.0
Unemployed	7.0	5.9	5.1	2.1	.1	----------
Total possible workers	54.6	55.1	56.9	57.5	58.5	60.0

II. *The growth of national income and employment*

	1939	1940	1941	1942	1943	1944
Total employed (millions)	47.6	49.2	51.8	55.4	58.4	60.0
Man-hours (billions)	93.3	98.9	106.7	116.9	126.1	129.6
National income (billions of 1940 dollars)	69	76	84	92	100	105

Notes to Tables

The data in these tables are not forecasts of things to come. They are merely illustrations of the magnitude of the adjustments required in our economy by the defense effort. The estimates are based upon the present Army and Navy program and do not assume active belligerency by the United States. These illustrative data do assume, however, an expanded lend-lease program. Presumably this program will be as large as is necessary to insure the defeat of Nazi Germany and her Axis partners. This program will furnish food, supplies, munitions, equipment, and material to England, Russia, China, and all other countries fighting against aggression.

These illustrations assume a rapid expansion of employment and production. During the next 4 years the performance of this country is assumed to provide a sustained expansion year by year as great as that achieved by any industrialized country. It is not a maximum expansion. It can be further increased by improved planning, coordination, and elimination of bottlenecks.

The movement of national income is shown in dollars of 1940 purchasing power. No movement of prices is illustrated in these tables. For example, the national income of $92 billion in 1942, in terms of 1940 prices, may be $100 or $105 billion in terms of 1942 prices. A general increase of prices may well hinder rather than help expansion.

The more specific assumptions behind these illustrations are:

1. The expansion of national income is rapid in response to defense spending and plant expansion. The rate of expansion tapers off in 1943–44 because of the lower productivity of the additions to the labor force and because of the pressure to use high-cost inefficient plant and equipment.

2. The movement of total employment is related to the movement of national income and output. Employment in defense industries is related to the proportion of national income devoted to defense. It is assumed that half of the national income will be spent for defense in 1944, based upon the war experience of other countries. The proportion of national income going to defense is assumed to increase steadily from now to 1944. The proportion of employed workers engaged in defense will be somewhat lower than the proportion of national income spent for defense because of the higher productivity of labor in defense occupations.

3. The labor force will increase by more than the usual increment. The proportion of the population employed in 1918 and 1929 has provided a base for estimating the possibilites of extraordinary expansion Attracted by financial inducement, married women who left the labor market in the last decade and others who have contemplated withdrawal will be included in an enlarged labor force. Opportunities for early entrance into the labor force will increase, and youg people who have been supported on Government work programs will now be absorbed in private employment. At the other end of the age scale, retirement will be postponed and others who recently retired will return to work.

Of course, it will take time to get the new peacetime businesses going, to retool the plants, hire and retrain the workers, expand the factories, and get things moving efficiently along new lines. The time required for the switchback will not be so long, however, as the time required now for the switchover, if we may judge by world experience after the last war.

In the meantime, if things are left to work themselves out, what happens to the demobilized workers and veterans and their families? Will they be without work? Will they stop producing? Will the national income drop $15 billion or so as soon as pent-up demands are met? Will the succeeding drop in consumption throw others out of work, and reduce national production and income another $10 to $20 billion? If so, we shall be back again in the valley of the depression, and a terrific new strain will be thrown on our whole system of political, social, and economic life.

The American people will never stand for this. Sooner or later they will step in and refuse to let matters "work themselves out."

The workers and farmers of America, the business leaders of America, and the public officials of America know that the problem we face when the war ends is too big and complicated to be solved by the workers, the farmers, businessmen, or the Government working alone or independently. Nothing less than energetic and intelligent teamwork will make it possible for us to move over from defense to peace while maintaining full employment.

In this program Government must take a leading part because it is the only representative of us all, the common meeting ground of all interests, and the one center of responsible coordinating power through which we can all act together.

A cooperative program for transferring 23 million men smoothly and quickly from all-out production for defense to all-out production for normal living, when this war is over, will require in advance thinking, discussing, planning, and organizing for action.

The first step in developing such a program is obviously to set down as a basis for discussion in orderly fashion the kinds of things which are involved or have been suggested. This will help to clarify thinking, lay the basis for exploration of difficulties, and bring out differences of opinion so that they may be thoroughly canvassed before action is required. The following outline of a post-defense program is, therefore, presented by the National Resources Planning Board, not as a blueprint of the future, but as an approach to thinking and discussion.

PRELIMINARY OBJECTIVES

In making plans for the future, it is essential to decide in what direction we are going. Once we are agreed, we can put all our efforts to planning how to advance.

In accordance with the need for full employment and the decisions the American people have already made on the maintenance and extension of personal freedom, security and opportunity, the central objectives of our post-defense planning may be summarized as follows:

One, we must plan for full employment, for maintaining the national income at $100 billion a year, at least, a point we shall reach by 1944, rather than to let it slip back to $80, or $70, or $60 billion again. In other words, we shall plan to balance our national production-consumption budget at a high level with full employment, not at a low level with mass unemployment.

Two, we must plan to do this without requiring work from youth who should be in school, the aged who should be relieved if they wish it, and women who choose to make their contribution in the home, and without asking anyone to work regularly in mines, factories, transportation or offices more than 40 hours a week or 50 weeks a year, or to sacrifice the wage standards which have been set.

Three, we must plan to decentralize postdefense emergency activities as far as possible; to use to the utmost our system of modified free enterprise with its voluntary employment, its special reward for effort, imagination, and improvement, its elasticity and competition; and to advance cooperatively under national and governmental leadership.

Four, we must plan to enable every human being within our boundaries to realize progressively the promise of American life in food, shelter, clothing, medical care, education, work, rest, home life, opportunity to advance, adventure, and the basic freedoms.

Five, we must plan to make up-building America the keynote of the postdefense program, including both construction activities which will add to the national estate and service activities which will end malnutrition, and increase the vitality, health, skill, productivity, knowledge, and happiness of the American people, and thus add to our wealth and well-being.

Plans and Programs

For the last 8 years the National Resources Planning Board and its predecessors have been engaged in studies of our national resources—natural, human, scientific, and economic. The principal interests of the Board during the period have been the conservation and uses of these resources with a special concern for the stabilization of employment. Out of this experience and the cooperation of public and private agencies, a knowledge of our national potentialities has been obtained. Now is the time to spread them out and see how they can be fitted together.

The National Resources Planning Board has been instructed by the President (November 12, 1940) to collect, analyze, and collate all constructive plans for significant public and private action in the postdefense period insofar as these have to do with the natural and human resources of the Nation. In the discharge of this responsibility the Board will serve as a clearinghouse to gather ideas and plans, to stimulate appropriate independent action by other public and private agencies, to bring together individuals who are interested in harmonizing their views, and to furnish the President and the Congress with information on these matters.

The elected representatives of the people will, of course, make the decisions on policies and methods for meeting the problems of the postdefense period. The Congress has already provided appropriations for the inauguration of needed studies and for the preparation of postdefense plans by various agencies in the executive branch. As these plans are matured for public discussion and appraisal the Congress will determine the ways in which they shall be put into action.

The Board will not attempt to make plans for other agencies within their field of independent responsibility. Rather, it will seek, as in the past, to persuade other agencies to prepare plans. The Board is instructed to gather these programs on behalf of the President. The Board needs and requests help and cooperation of official and unofficial agencies and bodies in assembling the plans for dealing with the needs of the postdefense period.

From the statement of objectives in the preceding section, the lines of action to be explored and developed as elements of a postdefense program are clear. They include:

One, plans for demobilization should be made now to deal with the various problems which will arise:

How can the Armed Forces be demobilized with provision for finding jobs and, if necessary, retraining for peacetime work? Should there be a dismissal allowance for all demobilized men?

How can Government defense contracts be liquidated gradually with appropriate aid to contractors to find substitute peacetime contracts to maintain employment and production?

What wartime Government controls of prices, priorities, and other factors must be maintained to cover the transition to peacetime full employment?

Two, plans for public works and activities are being drawn by Federal, State, and local governments in all parts of the country. The Board has just reviewed the experience gained in efforts to increase employment in 1933 to see how useful public activities can be put in motion quickly and effectively when they are needed.[1] Proposals for speeding up action at all levels of government through advance preparation of plans and specifications, programing, and planning, are before the Congress.

FEDERAL

For Federal activities, the Board is required by statute to maintain a 6-year program of Federal public works which is revised annually. This program provides a reservoir or "shelf" of projects which can be speeded or delayed as Congress provides the funds for their construction.[2] For the wise selection of projects, the Board has set up policy studies to explore the needs and possibilities of land, water, energy, transportation, and similar lines of development. Through the technical committees of the Board in each of these fields, the work of the interested Federal agencies on these problems is being correlated. On each of these committees, technicians from the Government agencies serve with specialists from outside the Government. A large part of the materials used by the committees are drawn from the experience and staff work of other agencies to avoid duplication of effort. The success of the correlating activities of the Board have been and will be measured in terms of the vigor and effectiveness of the cooperating agencies.

Land: Further exploration is needed of the effects and methods of obtaining large changes in land use, substituting dairying, fruits, hogs, and cattle for some crops to improve the nutrition of the Nation; or providing cash employment for part-time subsistence farmers in forest or soil-conservation activities. The large-scale migration of people from poor land to new farm areas must be explored, as well as the rehabilitation of wornout lands, cutover areas, the dustbowl, and the provision of needed recreation areas.

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[1] "Development of Resources and Stabilization of Employment in the United States," January 1941, pp. 17 to 22. "Economic Effects of the Federal Public Works Expenditures, 1933–38" (1940).

[2] See "Program 1942–47" in "Development of Resources and Stabilization of Employment in the United States," January 1941, p. 49

Water: The full use of our water resources depends on large-scale, multiple-purpose projects for whole drainage basins, with appropriate balance among the uses and between the costs and benefits. The value of the full development of the Tennessee River in the defense emergency demonstrates the possibilities for peacetime use of the water resources of other drainage basins.

Energy: In a highly mechanized world after the war, energy from coal, oil, and waterpower will certainly be more important than ever to the full employment of our manpower. Plans can be started now for conservation and full use of these resources through such measures as unit operation of oil pools, a "gridiron" or interconnection of power transmission lines, and greater use of inexhaustible energy resources from falling water.

Transportation has been the proverbial symbol of expansion and progress. Certainly the postdefense period will see new and far-reaching improvements and additions to our transport facilities. We must have better integration among all the methods of transportation, over rails, waterways, highways, airways, pipelines, and wires, or whatever new inventions we can foresee and plan for.

In all these lines Federal interest has already proved an important factor, an interest which in the period of transition will be of even greater importance. The aid, suggestion, and guidance of the Federal Government has stimulated private enterprise in these fields, and direct Federal aid or action has played an important role in their development.

STATE AND LOCAL

For State and local governmental programs of public activities, the Board has conducted demonstration projects[3] for "Capital Budgets" and now serves as joint sponsor with the Federal Works Agency of the "Public Work Reserve." This new organization, set up as a WPA project, is providing technical guidance and assistance to State and local governments for the preparation of 6-year programs, similar to the Federal agency programs, but based on the State or local finances. As its name implies, here is a "reserve" of projects and activities which can be called into action when needed locally or when called for by national policy.

The Board has long been convinced[4] of the need for large-scale rebuilding of our cities. In the postdefense period the largest opportunities would seem to lie in provision of new housing[5] and rehabilitation of blighted areas, and in the rebuilding of terminal facilities adapted to modern requirements for interchange among rail, highway, waterway, and air carriers, and between terminals and markets. A special effort is being made under the Board's auspices to explore these needs and possibilities.

Through the planning and execution of these large public works and activities are of importance from the standpoint of their contribution to service and to the enhancement of our national estate, the timing and value of these public capital investments is of particular importance as a means of setting forces in motion which will lead private enterprise also to embark confidently on large-scale capital improvements.

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[3] "Long-Range Programing of Municipal Public Works, 1941."

[4] "Our Cities—Their Role in the National Economy," June 1937. See also "Supplementary Report of the Urbanism Committee," volume I: "Urban Government," volume II: "Urban Planning and Land Policies," 1939.

[5] "Housing: the Continuing Problem," 1940.

Three, plans with industry are underway. Many industries and business organizations are already concentrating their research on new products and methods for the postdefense period. The resources of industrial research[6] must be mobilized for peace as well as for defense. Through its Industrial Location Section, the Board is completing a report on the considerations and problems of the location of industry. In connection with this study, assistance has been provided to the Defense Plant Site Board of OPM on choice of locations for new defense plants. The Government has a large "stake" in many of these plants, and, in prudence for its investment as well as with concern over employment after the defense program, it must make plans for their conversion to peacetime constructive uses. The success of the Defense Plant Corporation indicates a new type of aid to private industry which the Federal Government may wish to extend in the postdefense period.

In its previous studies, "Consumer Incomes and Expenditures in the United States," "Structure of the American Economy," and "Patterns of Resource Use," the Industrial Committee of the Board has developed materials which are basic in the formulation of policies by business and Government for the maintenance of full employment and increased purchasing power. Estimates must be made of the productive capacity needed to fill consumer requirements in an advancing economy both as to magnitude and as to location of plant.

Four, plans to expand service activities are now called for. With full employment and a high national income, there will be a large increase in the demand for medical service, entertainment, music, education, travel, personal and household care, repairing, and all other services which go with a higher standard of living. In some areas the demand will create the supply in advance. In other areas advance planning and training will be required to avoid serious shortages. This is particularly true of—

The training of doctors, nurses, engineers, teachers, public servants, and other professional people;

The development of hospitals, schools, and community facilities for recreation, culture, and art;

The planning and organization of comprehensive youth programs.

Plans to expand these service activities must be made before peace comes, partly because we know we shall need them, and partly because we do not want our civilization to throw its emphasis too much on material matters, and too little on cultural and spiritual values.

Five, plans for security are underway through the activities of the appropriate operating agencies of Government. The Board's Committee on Long-Range Work and Relief Policies, including technicians from these agencies, is completing its report for early release. It will be followed by further materials pointed at the postdefense period to underpin security for all Americans. The old and very young, mothers and the sick, the unemployable—all must have security as a matter of right. New forms of social security and programs for relief and work relief must be put in operation.

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[6] "Research—A National Resource," pt. II: Industrial Research, 1941.

Food and nutrition problems are being explored by a coordinator under the defense program—but with an eye on the postdefense period as well as on defense. These activities relate closely to agricultural and health policies and will require new programs of action.

Along with health, hospitals, and medical care, new programs will be needed to meet the demand for equal educational opportunity.

Six, plans for financing are required. The President has asked the Board, in cooperation with other departments and agencies, to study how the needed activities of the postdefense period are to be financed and what devices can be evolved for appropriate sharing of the costs. On these problems, economists and other experts are at work in many parts of the Government and in private organizations.

The present situation calls for plans to coordinate all governmental fiscal policies to hasten, smooth out, an carry through the difficult transition from defense to peacetime production. In a modern economy the chief tools of governmental fiscal policy are: expenditures and purchases, taxation, public borrowing, Government loans, tariffs and international trade agreements, money control, credit and banking control, price control, patents and corporate control, and labor and wage regulations. To be effective, governmental programs in any one of these areas must be intelligently and carefully related to each of the other areas.

Nothing can be more wasteful and discouraging than needlessly conflicting fiscal programs, nor more destructive to a successful transition from defense to peace.

The problem of fiscal coordination is a serious one now in this country because, first, we live in a Federal Government with certain independent powers over spending, borrowing, and taxing very properly entrusted to the States and local governments; second, we cannot deal with postdefense problems apart from the fiscal problems of defense, particularly inflation, the debt, and taxation; and, third, we do not have a sufficiently unified organization in the Federal Government to formulate a coordinated series of fiscal policies for public consideration and congressional action.

Methods of dealing with these difficulties so as to speed and ease the postdefense transition will call for further consideration of the difficulties themselves and the development of a number of structural and administrative adjustments.

Seven, plans in the international scene. From this point on the American people will never again make the mistake of believing that we can have prosperity while the rest of the world collapses; or peace while the rest of the world is at war; or freedom while the rest of the world is being enslaved. It is therefore assumed that after the war we shall make our international policy and the international behavior of American private interests conform to our desires for peace and the elevation of human dignity everywhere.

Our foreign policy will have an important bearing upon our domestic employment program when peace returns. Through an extension of lend-lease we shall certainly help feed the starving people of Europe until they can again get on their feet. This will take all the food, shipping, trucks, and gasoline which we can muster, and will call for plans now for the organization of this unprecedented gift to humanity. There will be no time to lose when Hitler falls. Millions will already be starving.

After Europe's needs for food, clothing, and emergency medical care have been met, the people of Europe will be able to rebuild their own civilization. Perhaps then our greatest opportunity to help others economically will be found in Asia and in parts of North and South America, working in cooperation with the people and the governments of those lands. In all international dealings, however, we will have to remember that selling can only be maintained in the long run by buying. Trade is a two-way street.

These international problems are mentioned here not to dispose of the difficulties involved, but rather to accent the importance for all future planning of our international status.

A Call for Aid

This outline of possible postdefense activities is far from complete. It is presented to direct attention to postdefense planning problems, to indicate the areas which are in need of exploration, and to invite the cooperation of public and private agencies in this important and intricate task.

The real problems of war never arise until after a war is over. When this war is won we can lose everything we are arming to defend, if, in the transition to peace, we slip back to a low national income with its inevitable unemployment, suffering, chaos, and loss of freedom. To discover ways and to work out the plans for shifting from full employment for defense to full employment for peace is a matter of outstanding public concern.

[From The New Republic, July 20, 1942]

THAT POSTWAR DEPRESSION

(BY GEORGE SOULE)

Responsible military heads must weigh all possible eventualities, and must think, not only of tomorrow, but of next month, next year, 3 years from now. What is in mass production today was in the designer's sketches long ago. Yet many of those who are most concentrated on winning the war contend that there is one possibility for which we must not prepare. That possibility is victory. They seem to think that in order to utilize every resource in fighting, we shall have to abandon all thought of what will begin to happen the day after victory is won.

Another imperative for successful warfare is to seize and retain the initiative. But many who accept this truism argue that there is no possibility of aggressive action in peace. There are, they say, too many uncertainties; what will happen will happen, and we shall just make it worse if we try to influence it. This belief in passivity about everything after victory, coupled with urgency in demanding the utmost purposeful activity before it, amounts almost to a superstition. If we dare to assume that we shall win the war, and go on from there, even in thought, maybe we shall ruin our chance of winning it. Those who accept this belief are a little like the Chinese peasants, who will not say aloud that they are happy or hopeful for fear the jealous gods will hear them.

I would not for the world upset those who cling to this superstitution. They are warned to stop reading this article at this point, and so save themselves from the taboo, for it is concerned with some of the plans for postvictory which are still in the stage of designers' sketches. These plans are not intended for broadcast publicity. Yet for some it may be interesting, even though merely out of curiosity, to peer through the window into the designing room where men in their shirt sleeves and with green eyeshades are letting their imaginations wrestle with the problems of prediction which go beyond victory in arms. These men are not maverick inventors with crazy ideas, one out of a million of which may be worth something. They are important men, men with access to mobilized knowledge, with skills and training and power to influence their fellows. Nor are they all economists and Government officials. Some of them are "practical" executives of the highest standing in business and labor. They have buckled down to the job because they know that peace, too, has to be prepared now.

The first danger.—We are all aware that there is a general fear of a postwar slump. It has been drilled into our heads that depressions follow wars. Manufacturers look at their vast and miraculously productive plants and wonder what in the world they can make in them that civilians will want, and where there is going to be enough purchasing power in the markets to take away what they can make. Labor fears for jobs, when Government contracts end. Soldiers and sailors don't understand what they can do when they come back asking for jobs at a time when jobs are getting scarcer.

These questions point to a danger that must be analyzed and prepared for. But close students of the subject do not regard it as the first danger. Paradoxically enough, what is likely to follow immediately after the close of hostilities is not deflation, but inflation.

The first clue to this production comes from the last war. Many of us have forgotten that only a minor part of the inflation had occurred by November 1918. All through 1919, leading to a peak in 1920, prices soared and goods got scarcer. It was then that the upward wage-price spiral really got going. It was then that there were bitter complaints about the housing shortage, high rents, high cost of food and clothing. The depression of 1921 was largely a collapse of the inflated values and prices that followed the armistice.

Not everything that happened last time will happen this time. We have learned that already from the war itself. But when we seek the reasons for the former postwar price inflation, we see that they are likely to be present again, some of them in highly aggravated form. Let us briefly and crudely put the picture together.

There is now developing a general scarcity of consumer goods, especially of those that are not quickly used up like food, of those that last longer, like automobiles, houses, furniture, electrical equipment. Even clothing may be scanty and worn by the time the war is over. Thus there will be, when the fighting stops, a great backlog of demand for durable consumer goods which will not have been available for months or even years.

Many of the plants that used to make these goods are engaged in warwork; others are idle for lack of materials; in the end some will lack even labor. Even if there were no obstacles in the way, it would take time for these industries to reconvert to peacetime operation and get their products distributed at retail. We marvel at the energy and efficiency which has enabled industry to turn itself over for war production inside of 2 years, though the Government used every resource to compel it, including easy credit, huge and profitable orders, and denial of materials to the laggards. Reconversion will probably be no easier.

And there will be obstacles. The Allies will have to keep substantial forces in the field for months; they will not quickly disarm in the belief that there can be no more war. There will be strong pressure for the completion of war contracts, even for new war contracts. The demands of relief and reconstruction for devastated regions and impoverished peoples will be immense. (After the last war, foreign demand even for our agricultural products actually increased for about 2 years.) Taking everything into account, we must be prepared for a period in which industrial production lags behind the demand for civilian goods.

People may want all these articles, it will be asked, but will they have the money with which to reinforce their demands? Well, they have it now, and will have it in increasing quantities as governmental war spending grows. Only rationing, bond drives, high taxes, price control and patriotism hamper inflation at this moment. These devices may not succeed in restraining it much longer, even while the war is on. After the hostilities, some warworkers will undoubtedly be laid off, some soldiers and sailors will be discharged. But for a time at least they will have, in lieu of jobs, unemployment insurance, bonuses or other special payments. And a large part of the population will possess war savings bonds, which can be cashed in at any time for more than was paid for them. It can hardly be doubted that, in the expansive mood of the coming of victory and peace, they will try to spend these savings for the many things they have had to do without in the interest of victory. In addition, there is likely to be a cessation of new war loans to absorb their surplus cash. Installment credit will become available. Strong political pressure may even bring tax reductions. The consequence of all these forces will be a curve of demand in the markets that outruns the supply. And this means, ordinarily, rapidly rising prices. This will now be the same thing as "prosperity," for unemployment will probably be growing while it is occurring, and the necessities of life will still be scarce and hard to get.

The second danger.—If there is price inflation of any magnitude the second eventuality to be feared is a collapse of prices and a painful readjustment of values, like that which occurred in 1921. The curve of production of civilian goods will keep on rising, in response to the stimulus of rising prices, until the scarcity in the markets is relieved. The curve of civilian demand will rise less rapidly, and may even begin to fall, if we do not manage well. This does not imply that everyone will have everything he wants. It does imply that cash obtained from savings will give out, the limits of credit will be reached, unemployment benefits will end before reemployment is found, bonuses and dismissal wages will be spent. Last time, demand for agricultural products from abroad suddenly dropped when a fed Europe got back into the fields with plowshares instead of swords.

If the former pattern is followed, this still will not be the postwar depression that is generally feared. It will be a price deflation, sharp but perhaps short, while reconversion to peace production is still incomplete. There will still not be enough houses; there may even remain a large potential market for things like automobiles. But it will be the end of a speculative spree, when people find it no longer possible to make money merely because prices are rising and goods are scarce. That must mean a pause, a writing down of prices, huge losses of money and a temporary check to enterprise.

After this check, when prices have been sufficiently deflated, recovery may come as it did in 1922 and 1923. This recovery may continue for some time—at least until industry finishes its reconversion to peace production and the building shortage is filled. Whether it can continue, with relatively minor interruptions, for as long as it did after the last war—that is, for about 7 years—is doubted by most of the experts. What gives rise to their doubts?

The third danger.—Finally comes the peril of the real postwar depression that people fear. Perhaps it is not correct to call it postwar in the sense that war causes it; it may be the same kind of stagnation from which we tried to emerge, with indifferent success, ever since 1929 (until war spending arrived).

This danger arises, paradoxically, from the immense productiveness of modern industry. At least, this is the analysis accepted by most of those who have any close-knit explanation at all. It is, in essence, the Keynes-Robertson-Hansen theory of oversaving.

The theory cannot be described accurately without a lot of technical terms and details, but its essence is simple enough. We may put its basic reasoning in a series of steps:

1. If during a period of full employment, all money were continually spent as fast as it came into the hands of its recipients, no serious depression could follow. (Money here means not just currency but bank accounts as well.)
2. We must therefore look for a place where spending slows down, if we are to find the origin of unemployment and depression.
3. The national income (which is roughly the total of private incomes) can be divided into two sections—that which is spent soon after it is received and that which is "saved."
4. We must therefore look for the trouble in that section which is withheld from spending, or saved.
5. Money is spent when new investment takes place. That is, money used to erect a new plant is spent for labor and materials, just as much as if it were spent for milk and butter by an individual.
6. Suppose, now, people have a tendency to save which outruns new investment. What happens? Simply that people and business cut down on their daily spending to a greater extent than can be compensated for by the flow of money into new plants, machinery, or other capital goods. Thus spending declines and a depression starts.

Critics of the theory point out that the statistics do not show any time when the volume of savings exceeded the volume of investment. While some money is hoarded from time to time, the relative amount is not large enough to count. Savings are almost invariably invested in something or other that leads to spending. This is true even of the purchase of Government bonds.

Those who hold the theory reply that the criticism does not apply to the process they are talking about. They do not assert that money is first saved and is then held out of circulation. It is the very process of saving (that is, of not spending all you might) that holds the money out of circulation, provided that at the same time somebody else is not spending in new investment as much as you withhold. What happens in that case is that the total flow of money shrinks, and so savings shrink too. This shows up in subsequent statistics as an equality between savings and investment.

Now saving is a matter largely of habit. A certain percentage of the national income is saved whenever we hit a peak of production and employment. This percentage does not vary much. Smaller percentages are saved when production falls off. The dynamic factor in the situation is new investment, the amount of which depends not on the individual savers but on the decisions of manufacturers, builders, promoters, and the institutions which finance them.

Here is where the great increase in industrial productivity comes into the picture. As technology advances, you can produce more and more goods by spending less and less for new capital equipment and the labor to operate it. Thus a time can come when, though business is active and reasonably full employment exists, business does not need to spend enough in enlarging its plant and production to make up for the amount which is being withheld from day-to-day spending for purposes of saving. Then employment and the national income fall off. Saving declines at the same time, being equalized to the smaller amount invested. The vicious circle of depression starts, and industrial stagnation may continue long, for lack of sufficient opportunity for new investment.

Let us apply this somewhat arid theorizing to the postwar period. Whether or not we first experience price inflation and deflation, industry will eventually become reconverted to peacetime production (excluding whatever residue of war output may be necessary for the world situation). It will be an immensely productive industry. Even 2 years ago we did not dream how much we could turn out for war, and how quickly. Plotting the trend of expected increase in productivity, we can see that, by 1950, a national income of roughly $150 billion would be possible, given full employment. An income of less than this would mean less than full employment. (The figure is calculated at the present price level.)

Now, the customary percentage of savings, out of an income of this size, would withhold an enormous amount of money from circulation. It would be far more money than has ever been invested in peacetime. It is hard to see where industry would find the opportunity to invest so much money in expansion or in new enterprises. If it does not, we can easily experience 1929 and 1932 again, or something worse. Thus the fears of business that it cannot find markets for all that it is capable of producing with its new plants, once they turn back to supplying civilian demand, would be fulfilled. That possibility furnishes the danger, and the problem.

This is the outline map of the future, which the experts discern. But they do not regard it with fatalism. It is what is likely to happen, provided adequate measures are not taken to prevent it. Drawing it is necessary in order that remedies may be recommended. The sketching of these remedies is the more important work of the designers at the drafting boards. For one thing is certain: if victory is not to turn sour in our mouths, if the Atlantic Charter is to be fulfilled, new economic designs there must be. Business-as-usual will not do. The 1920 brand of "return to normalcy" will not do. We must take and hold the initiative in redesigning our economy if we are not to experience inflation, depression, and a stagnant, limping business with mass unemployment and worse.

Another article will be necessary to report briefly on some of the sketch plans that are being considered for these eventualities.

[From "The New Republic," Aug. 10, 1942]

FULL EMPLOYMENT AFTER THE WAR

(By George Soule)

In a previous article there were outlined briefly the postwar dangers for our economy perceived by the experts. The first is that we shall have a price inflation, accompanied by scarcity of goods and growing unemployment, as reconversion to peace production lags. After that there is the possibility of a sharp price deflation, before reconversion is finished. Then, probably after an interval of recovery which may be shorter than that from 1922 to 1929, there can be a renewal of the prewar depression, in which mass unemployment arises and persists because of the lack of sufficient new investment to offset the subtraction from current spending caused by our long established habits of saving.

The main objective.—Before inquiring into possible remedies, let us see what it is that we want. In a controlled economy, one does not wait for the arrival of misfortune and then attempt to repair it.

It must be understood clearly that the dangers described in the former article are conclusions from a major premise which is not necessarily true, a premise which, in fact, we can wipe out if we will. That premise is that after the war we shall abdicate economic government. Inflation, deflation, and depression are what will follow if the United States simply demobilizes and lets things happen as they will. They need not happen if instead we remobilize for peace. But successful mobilization demands an objective, and a concrete program fitted to its necessities.

That objective, in economic terms, is simply full employment. Not merely full employment in some particular year or on rare occasions, but continuous full employment, year after year. In stating this objective, one must guard against misapprehension. Full employment does not necessarily mean that we all must work hard for long hours and with no vacations, producing an unheard of quantity of goods that we do not want. It need not mean 3 cars in every garage, 6 chickens in every pot, 10 radios in every house and perhaps 2 planes in every backyard. Maybe we shall prefer fewer goods and shorter hours. Maybe more children will have time to complete their educations, more old people will not need to work. Maybe we shall want more things not made in factories or produced in mass, such as theaters, music, scientific research, medical service (particularly of the preventive kind). What it does mean is that there shall be a job available for every competent person who wants one, and that those who for good reasons do not have jobs shall have other means of support.

Nor need we be perfectionist about this aim. There will be, in any dynamic and changing civilization, periods of shift, even continual changeovers, that will mean a certain unavoidable lag of employment in transition from one job to another. But such interstitial unemployment can readily be alleviated if we do not have to operate the whole economy at half speed. A shift of this kind must be anticipated in the change from war production to peace production. What we do want is that the shift should be as smooth and continuous as possible, rather then being accompanied by wild gyrations of prices and crises of unemployment.

The economic base line.—Any engineering or construction job requies some base line to work from, a constant that may be projected into the distance or the future, as the case may be, as a basis of calculation. In modern economics this base line is provided by the concept of national income. Inexact as it still is, it can be used for the purpose in hand: refinements may be introduced as we approach closer to specific problems.

We know about what the national income is now. Very soon we shall experience what may be called full employment. The size of the national income at a time of full employment furnishes a starting point for our baseline. A national income of less than this size would not, under existing conditions of technology, be accompanied by full employment. Our first task is to project this point into the future, in order to see what a full-employment national income would be in future years.

Three main factors will affect the growth of this full-employment income. One is the advance of technology, which continually increases the amount which may be produced per person employed—or per man-hour. While technological advance varies from time to time, it may be averaged over a period, and is somewhat steadier in its march when considered for the whole economy than most of us would suspect. First, then, we shall have to add to the full-employment income for 1943, let us say, an increment for increased productivity to estimate the full-employment income for 1945 or 1947.

The next factor affecting the income is the number of persons in the working population. For our postwar prediction, we shall have to adjust this number upward for the expected growth of population and for the return of men from the Armed Forces, and downward for loss of women, young persons and some men who have been attracted to war industry but presumably will leave it when the war is over. An adjustment for reduction of the working week to normal will probably also be in order. Calculations of this sort are quite possible, within a tolerable margin of error.

The third factor is the price level, for as prices go up or down the national income (in terms of money) rises or falls. For present purposes we can omit this factor, since one of our main objectives is to prevent inflation or deflation, and any necessary modification on account of prices can readily be introduced later, if needed.

Scheduling reconversion.—Once we have an estimate of the full employment national income in each of the early postwar years, it is possible to proceed more intelligently to attain it in fact. We know, for instance, about what percentage of the national income is customarily spent in times of peace for consumers' goods. Furthermore, from studies of family budgets, it is possible to estimate what part of that amount is spent for each main division of consumers' goods, such as dwellings, house furnishings, automobiles, clothing, food. Indeed, the expected spendings may be even further subdivided. As a result, each industry may be assured that the demand for its output in year X will be about so many dollars (granted a full employment national income). Studies of this kind are now actually underway, both in the Department of Commerce and in the research divisions of important private corporations.

With a prediction of the size of a market, it is possible to plan for reconversion. The public, with spending power of so much, will probably demand so many cars at such and such a price so many refrigerators, and so forth. Public taste changes over a period of years but it is fairly stable in the short run. The problem is especially simple in the case of durable consumers' goods, in which the chief shortages will arise during the war.

One complication enters these calculations that is of great importance. That is the distribution of the national income as among the several income classes. Families with budgets of various sizes divide their spending in widely different ways. An increase of incomes low in the scale would provide immensely larger markets for many kinds of goods. We know that the mere increase of the national income—a full employment income would probably be about $150 billion in 1950—would enlarge the lower incomes proportionately. But will the percentage distribution also change? Probably it will, in the direction of equalization. But not very radically, in the first postwar years. Change of distribution is, practically, a long-run matter, and we shall discuss it under the appropriate head.

With information of this kind, the large corporate units can plan how to use their plants and equipment. They can tell roughly what parts can be utilized and what will have to be either shut down or employed for armament. They can even predict approximately how many workers they will need and what will be their demand for materials and new capital equipment. Some are even now in possession of figures of this sort. Similar calculations can be made for whole industries. The figures can be carried back into demands for capital goods from the basic industries, for transportation. By adding the figures together, one could get a double-entry check against the national income totals used as a base line.

Policy for the first peril.—What are the measures that seem to be indicated to avoid the first postwar danger—that of inflation? Obviously, they are needed right now, while the war is on, for that is when the foundations of inflation are laid. These measures are familiar, even in newspaper discussion. Price control, rationing of scarce articles, taxation plus borrowings from current income that will together equal Government spending, stabilization of wages and other incomes—these constitute the formula. Obviously they should be continued during the period before reconversion of industry has caught up with public demand for civilian goods, after the war is over.

Certain additional measures as well will probably be desirable, on the side both of demand and of supply. After the war we must expect many to cash in their bonds in order to buy durable goods which have become scarce. This influence must be counteracted by a new governmental fiscal program to tap savings. Credit may be restricted—except such producers' credit as is necessary to hasten increase in production of consumers' goods. Taxes should not at this point be reduced.

On the supply side, a concerted policy can facilitate reconversion, if it is carefully planned. As a basis for everything else, Government should decide, on purely military grounds, how much war production must for the time being be retained. Knowing this maximum, industries can proceed to reconvert the rest. They should not be discouraged from doing so by continuance of war contracts at large profits. The supply of housing should be rushed with all possible speed—not in order to increase employment but to provide houses and keep rents down. And the whole process should be facilitated by use of priorities, allotments, and transportation control in reverse. With a program of reconversion to civilian production like that visualized above, it will be possible to direct the machinery and materials where they are most needed rather than allowing competitive bidding up of prices by producers in a scarcity market, such as characterized our inflation and led to the disastrous inventory speculation in 1920.

For the second peril.—If we avoid price inflation, we shall not have to fear deflation. But insofar as we do not avoid it—and the chances of 100-percent success in this endeavor now look slim—we must be prepared to render it as harmless as possible, remembering that another period of sound growth is ahead. Managed deflation is preferable to a panic. The essential point, we learned in 1920, was to live through a reduction of prices on commodities, without undue mortality in business merely on account of inventory losses, and with a minimum of unemployment or wage reductions. Many a concern then went to the wall because the fall in the price of materials or finished goods it had on hand; coupled with slow collection of bills, deprived it of credit and working capital, even though it could have operated profitably at the lower price level. This sort of thing can be avoided by intelligent management of producers' credit, denying it to any who decline to take necessary inventory losses, but extending it freely to those who, having taken such losses, can again produce at a profit.

This will be the time to reduce taxes on consumption and small incomes, and to supplement the social security program by the types of public spending that tend most to alleviate unemployment and stimulate consumers' demand. It will be the time, too, to inaugurate large-scale construction projects, both public and private, taking advantage of the reduced prices of materials.

And the third peril.—Recovery will probably follow price deflation, whether managed or unmanaged, and expansion will proceed for a while if we succeed in avoiding inflation and deflation of prices altogether. "Prosperity" will renew the prestige of business-as-usual, and immense pressures will be released to end all controls, all management and planning of our economy.

Some controls—those incidental to scarcity—can of course be relaxed without danger. We need not continue consumer rationing, or priorities and allocations in production, wherever materials or facilities for transportation are ample to meet the demand. We need not worry about profits yielded by business expansion; taxes can be adjusted so that legitimate enterprise will have a sufficient financial incentive. But we shall have to watch carefully the total of new investment, with the foreknowledge that in the long run it probably will not keep up with the savings to be expected out of a national income sufficiently large to maintain full employment.

A reliable method of forecasting new investment may be derived from the experience gained in a planned reconversion of industry to peace production. Current information on savings, already fairly good, can be improved. Thus we may be able to chart our course.

The stock remedy for oversaving is investment or spending by Government, when new private investment lags. There are of course great projects which only Government can carry through, many things it can do which would add to national wealth and well-being. Such projects shoud be undertaken in any case, whenever the size of the national income is such that we can spare the energy and materials. By that time it may have become clear to the objectors that the alternative is not so much either Government or private investment, but both or neither. Nevertheless a shift in point of view is likely to be necessitated.

Item 1 in this shift is the growing conviction that an economy which requires Government spending solely for the purpose of keeping it going, and regardless of the usefulness of the work or articles purchased by the spending, is too sick to survive. It is against all our deepest instinct to waste labor or material wealth on tasks that are not worth doing in themselves. Government spending should be validated by the social value of the product, not merely by the failure of the private economy to provide employment.

Item 2 in the shift is the large doubt, in the minds of many who have devoted the most careful study to the question, whether even the utmost conceivable governmental investment of a justifiable character, plus the total of any conceivable new private investment, is going to be large enough to balance the customary percentage of savings. In other words, the problem may be to consume a larger share of what we get, and save less.

This does not mean that our economy must stop growing, or that we shall have exhausted every new possibility. Far from it. We can invest in new productive facilities, and in governmental improvements, far more than we ever dreamed of spending in this way before, and still invest and save a smaller percentage of the national income than has been our custom in the past. That is because, with rapidly increased productivity, the national income will be so much larger.

How may we reduce savings? Nobody knows exactly, but many hints exist. Now, we know, the lion's share of the savings comes from profits and the higher incomes, not from the pennies of those who can just get along. The lowest income groups have nothing to save. The biggest part of the answer lies, then, in a more equal distribution of income.

And here we strike a subject concerning which much speculation has long existed. One important part of it is that business, if assured continual full production, can get along with much smaller profits than it now requires in prosperous years. Another is that full employment would do much to bring up the lower levels.

A full-blown, economic strategy, operating over a period of years, would be necessary to achieve the result. It would involve a solution of the problem of monopoly prices and of prices administered at a scarcity level. It would involve means—whether of engineering or other character—to narrow the spread between wages and prices in competitive industries, as spread now held apart by the high cost, marginal concerns. It would involve new machinery for distributing personal services not subject to mass production—such as medical service. But all this is too much for one article.

[Excerpts from Harvard Business Review, Autumn 1942. From Potentials of of the American Economy—Harvard University Press]

POSTWAR BOOM OR COLLAPSE

(By Sumner Slichter)

As a result of the war, the United States is developing by far the best trained and most efficient working force in its history. Never before has training been given on a scale comparable to that of the last 2 years. Not only have workmen by the hundreds of thousands received formal and systematic training, but the production emergency has compelled thousands of managers to solve new problems, try new methods, and accomplish the impossible. It has made managers more resourceful, jolted them out of ruts, and compressed into several years the managerial experience of a decade. What applies to industry applies also to the Navy and the Army. Training in the industrial arts is being given on a large scale. More important, the qualities of leadership, initiative, and resourcefulness are being developed as only danger and combat can develop them. The University of Hard Knocks is an expensive institution, far too costly for most of us to attend, but in times of war millions are compelled to attend it. At great cost it does develop men.

After the war the United States will have by far the largest and best equipped plant that it has ever possessed. In 1941 expenditures on manufacturing facilities reached an alltime high, about \$4.5 billion against the previous high of \$3.2 billion in 1920, a year of much higher prices.[1] About half of the total expenditures were in direct war industries.[2] At the end of March commitments for war-plant expansion were about \$13 billion.[3] Some of the new plant, such as shipyards, powder mills, and shell-filling plants, may have little use after the war. Other plants will not be favorably located for peacetime operation. Still other plants, such as some airplane plants, will be needed by the Armed Forces after the war. An estimate of the "average" increase in the capacity of manufacturing plants is almost meaningless, particularly when the disparities in the increases in different industries are so

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[1] Survey of Current Business (February 1942), p. 6.

[2] Ibid., p. 6. Expenditures for ordnance were about \$620 million; aircraft, \$500 million; chemicals, \$525 million; and shipbuilding, \$450 million. About one-fourth of the capital outlay in manufacturing went into industries producing on a large scale for both military and civilian industries—iron and steel, \$520 million; nonferrous metals, \$320 million; machinery, \$300 million. Among the civilian industries, food and kindred products made capital expenditures of about \$330 million—textiles, apparel, and related products, \$180 million; automobiles, \$180 million; pulp and paper, \$80 million.

[3] Victory (May 19, 1942), p. 32. Of these projects about \$10.7 billion were government-financed and \$2.3 billion privately financed. The capacity of the steel industry has been increased from about 81.6 million tons to nearly 89.2 million tons in July 1942. At the end of July 1942, the War Production Board announced that it was planning to increase steel ingot capacity by another 10 million tons, bringing the total to nearly 100 million tons. The capacity of the aluminum industry at the end of 1943, even allowing for some high-cost capacity that cannot be economically operated in time of peace, will be five times the prewar capacity. The National Machine Builders Association estimates that the output of machine tools in 1942 will be \$1.4 billion. Even in 1940, when the industry was operating at a high rate by previous standards, its output was only \$459 million.

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great. Capacity is a matter of balance. Small expenditures at bottleneck points may enormously increase capacity. No one knows just what the war expenditures will do to industrial balance. Depressions tend to cause finishing capacity to become too large relative to primary capacity. On the whole, the war will probably raise raw-material capacity relative to finishing capacity for peacetime goods. One thing is quite clear, that the war will produce a particularly large rise in the kind of capacity which makes possible further increases in capacity.

The prospective increase in the Nation's plant fills many people with dread. They fear that we are likely to be poor because we are able to produce so much. Before Pearl Harbor a Fortune survey found that 69.9 percent of persons interviewed expect things to be worse after the war than before. Early in June 1942, the Gallup poll found a slight majority of people had given up the idea of a postwar depression. Businessmen were expecting prosperity by two to one. Farmers and lower income groups, however, were expecting depression. Is there any basis for this fear? If we really have the kind of economy in which a gain in productive capacity reduces living standards, it is high time that we changed it.

The record of the last century shows plainly that rapid growth in plant does not inevitably make the Nation poor. Nevertheless, it is possible that too much plant may make us poor. Our economy is geared to a rate of growth which is determined by the volume of savings at different levels of national income. Unless there is enough growth or change to put to work all the savings that would be made at full employment, expansion will halt before full employment is attained. Hence too much plant may cause unemployment by limiting investment opportunities. That is why the war, by increasing the amount of plant in the community, may greatly increase the difficulties of maintaining full production and employment after the war.

The problem of maintaining employment after the war falls into two principal parts: (1) the problem of transition, of shifting from a huge rate of Government spending back to private spending, and (2) the longrun problem of keeping busy a far larger and more productive plant than ever before.

What general conclusions emerge from this survey?

1. The pattern of economic trends after the present war is likely to differ substantially from the pattern after the First World War, especially if price control during this war is more effective than during the previous one.

2. The problem of shifting from war production to peace production is being largely determined today by the success of price control and by the methods of financing the war.

3. The management of the transition will produce a sharp conflict between those who wish the quickest possible shift and those who wish to maintain equality of opportunity for all competitors to gain access to civilian markets at the same time.

4. The immediate aftermath of the war will be determined by whether spending will be more affected by war workers' fears of a shrinkage of income than by the desire of millions of people to make postponed purchases with surplus savings. The fears will be relatively more important after this war than after the last one unless the

purchasing power of surplus savings is preserved by effective control of prices. The Government should regard its responsibility as simultaneously guarding against a postwar boom and a postwar depression.

5. The longer the war, the greater is the probability that economic trends after the war will be governed by deferred demand rather than by fears of war workers of unemployment and shrinkage in their incomes.

6. The higher prices rise during the war, the less will be the danger of a postwar boom. The whole question of control of prices during the war needs to be reconsidered in the light of the effect of price control during the war upon the propensity to consume after the war. How favorable a consumption function could we stand after the war in view of the prospective great demand for industrial equipment at home and abroad? Would a moderate additional rise in wholesale prices (say, about 30 percent) be desirable in order to reduce the postwar conversion of war savings bonds into goods and, therefore, to reduce the postwar competition between the demand for consumer goods and the demand for capital goods?

7. Success in maintaining a good balance in the early stages of transition between the rise in civilian employment and the drop in war employment will almost certainly generate a large amount of optimism and will create danger of an uncontrolled boom. This danger may persist in greater or less degree for perhaps 15 years, until surplus savings have been liquidated and production and prices have adjusted themselves to the large volume of demand deposits.

8. The threatened boom cannot be averted by traditional methods of credit control. A variety of methods, which for a short time will include rationing certain scarce articles and, for a longer time, will include price controls, will probably be necessary.

9. The problem of averting a postwar boom will be greatly mitigated if the productive capacity of industry increases during the war and in the immediate postwar years by a larger amount than has been assumed in this analysis. It would be particularly helpful if the pervasive scarcities imposed by the war should produce a large number of capital-saving inventions. The outlook is bright for faster technological change than has been assumed in the analysis.

10. The management of the shift from war production to civilian production involves many questions of timing. For example, it is important that large reductions in taxes be postponed until after the conversion of war savings bonds into goods has been pretty much completed.

11. The huge increase of demand deposits in relation to prices as a result of the war will increase the instability of the economy because small changes in liquidity preference will produce great changes in the demands for goods. The growth of physical production will gradually remedy this condition, but a substantial rise in prices during the first decade or two after the war may also be necessary.

12. The best opportunity to open American markets to foreign goods is likely to occur shortly after the war when tentative exchange rates are worked out between the dollar and foreign currencies.

13. The quantity of goods which the United States will feel disposed to supply the rest of the world for the first 2 or 3 years after the war is likely to be quite limited.

14. The prospects of a high level of employment for some years after the war will depend in large measure upon the capacity of unions and business to work together on problems of taxation and wage policy. Because taxes on profits substantially reduce the demand for labor, unions may eventually be expected to take the lead in insisting that taxes on profits be reduced to a low rate and kept there. The interest of unions in this matter is far greater than that of business owners, because a drop of $1 in the outlook for profits produces a drop of several dollars in the demand for labor. It may take the unions a decade or two to discover their interest in this matter, but it cannot escape their notice forever.

15. If collective bargaining in plants and industries is not conducted within the framework of a national wage policy, it may substantially reduce the marginal efficiency of capital and the demand for labor, because the parties in these cases are not interested in the effect of their bargains upon the general level of employment.

16. If unions and employers undertake to set a national wage policy, they will eventually discover that the conditions which make possible larger payrolls also make possible larger profits. This discovery will revolutionize industrial relations and will provide a new basis for cooperation between unions and business in stimulating expansion and technological improvement. Such cooperation would end the danger that the politicians may dominate industry. It would make all previous efforts to raise the standard of living seem feeble. The success of unions and business in achieving this revolution in industrial relations and in developing the new capacity to cooperate in promoting expansions will depend upon their ability to view payrolls and profits in national terms. Only when this is done does it become clear that the conditions of larger payrolls are also the conditions of larger profits.

[National Resources Planning Board Pamphlet, 1943]

AFTER THE WAR—FULL EMPLOYMENT

(BY ALVIN H. HANSEN, NATIONAL RESOURCES PLANNING BOARD)

WAR AND POSTWAR AIMS

The immediate aim of the American people is to preserve and safeguard political freedom. But a military victory for the democracies is not enough. If the victories democracies muddle through another decade of economic frustration and mass unemployment, we may expect social disintegration and, sooner or later, another international conflagaration.

A positive program of postwar economic expansion and full employment, boldly conceived and vigorously pursued, is imperative. Democracies, if they are going to lead the world out of chaos and insecurity, must first and foremost offer their people opportunity, employment, and a rising standard of living.

THE EXPECTED POSTWAR SLUMP

The fact is that many people dread to think of what is coming. Businessmen, wage earners, white-collar employees, professional people, farmers—all alike expect and fear a postwar collapse. Demobilization of armies, shutdowns in defense industries, unemployment, deflation, bankruptcy, hard times. Some are hoping for a postwar boom. We got that after the first World War. Not improbably we may get it again. If the war lasts several years, we may have at the end of the war sufficient accumulated shortages in residential housing, in durable consumers' goods such as automobiles, and in the plant and equipment required to supply peacetime consumption demands, to give us a vigorous private investment boom. Indeed, we need to be on the alert to prevent a possible postwar inflation. If in fact we do experience a strong postwar boom, there is, however, the gravest danger that it will lull us to sleep. Sooner or later such a boom will end in a depression, unless we are prepared. If appropriate action is taken, there is no necessity for a postwar collapse.

Everywhere one hears it said that, when this war is over, all countries, including our own, will be impoverished. This view is, however, not sustained by past experience. No country need be impoverished if its productive resources (both capital and human) are intact. The productive resources of this country will be on a considerably higher plane when this war is over than ever before. A larger proportion of our population will be trained to perform skilled and semiskilled jobs. We shall have enormous productive capacities in all the machine industries. And in special consumers' durable industries, where plant and equipment may have become deficient by reason of the war, we shall be able very quickly, with our large basic machine-producing industries, to expand to meet the peacetime requirements. We shall have, when the war is over, the technical equipment, the trained and efficient labor, and the natural resources required to produce a substantially higher real income for civilian needs than any ever achieved before in our history. Whether or not we shall, in fact, achieve that level of income will depend upon our intelligence and capacity for cooperative action.

We have to make up our minds as a nation that we will not permit a postwar depression to overwhelm us. We do not have to take economic defeat after the military victory is won. We can, if we will, maintain business prosperity. We can sustain a continuing demand for goods. We can keep industry going at high levels. We can maintain substantially full employment. We can achieve a society in which everyone capable of and willing to work can find an opportunity to earn a living, to make his contribution, to play his part as a citizen of a progressive, democratic country.

An important gain will, we may hope, be won from the defense program in the struggle to achieve and to maintain full employment. We have every reason to expect the national income to rise to around $100 billions, in terms of 1940 dollars. It will be much easier to muster support for a program to resist a decline from a high income level than it has been in recent years to win approval for an adequate program to raise income to full employment from a low level. But we must be vigilant lest this gain slip from our grasp. If we let the income slide from $100 to $90, $80, $70 billion, we will have to make the old uphill fight all over again. We must deliberately set out to hold the new income level and to push it higher as rapidly as increasing productivity will permit.

DEMOCRATIC PLANNING FOR FULL EMPLOYMENT

We do not want the Government to run the whole show. We do not want a totalitarian state. We want freedom of enterprise. We want freedom for collective bargaining between employers and employees. We want freedom for cooperative action. We want freedom of choice of occupation.

If purchasing power is maintained at a high level, we need have no fears that private manufacturers, retailers, wholesalers, and farmers will not come forward and supply the market with the goods demanded by the public—a rich variety of goods at reasonable prices. Private business can and will do the job of production. It is the responsibility of Government to do its part to insure a sustained demand. We know from past experience that private enterprise has done this for limited periods only. It has not been able to insure a continuous and sustained demand. The ever-increasing gigantic powers of production of the modern industrial system, far exceeding that of any earlier experience in history, means that an enormous output has to be reached before full employment is approached. Private industry and Government together must act to maintain and increase output and income sufficiently to provide substantially full employment.

When the war is over the Government cannot just disband the Army, close down munition factories, stop building ships, and remove all economic controls. We want an orderly program of demobilization and reconstruction. The Government cannot escape responsibility. To fulfill its responsibility it needs the hearty cooperation of business, labor, farmers, and the professions in the great task of developing a vigorous, expanding and prosperous society.

This we all want, but—can private enterprise survive such a program? And how about taxes and the public debt?

A positive governmental program looking toward full employment would greatly vitalize and invigorate private enterprise. An expansionist program would permit private enterprise to operate at high output levels. There is plenty of work to do. We need improved manufacturing equipment to produce more and better goods at lower prices. We need to carry on extensive research in the laboratories of our great private corporations, in our universities, and in Government bureaus to create new products and develop new processes. We need to rehabilitate and modernize our transportation system—by land, water, and air. We need continued advance in the techniques of production, distribution, and transportation; in short in all those elements that enter into a higher standard of living. We need to rebuild America—urban redevelopment projects, rural rehabilitation, low-cost housing, express highways, terminal facilities, electrification, flood control, reforestation. Many public developmental projects open fresh outlets for private investment. We need a public health program, including expansion of hospital facilities. We need a nutrition program. We need more adequate provision for old age. We need higher educational standards in large sections of our country. We need a program to improve and extend our cultural and recreational facilities. We need an enrichment of the material and spiritual resources of our American way of life. We have seen how it is possible to mobilize the productive capacities of the country for war. We can also mobilize them for peace. Under a program of full employment new enterprises would grow up; old enterprises would expand. Youth would find opportunity and employment.

The notion that we cannot finance our own production is quite without foundation. Every cent expended, private and public, becomes income for members of our own society. Costs and income are just opposite sides of the same shield. We can afford as high a standard of living as we are able to produce. We cannot afford to waste our resources of men and material. We cannot afford to use them inefficiently. But we cannot afford idleness. The idleness of the decade of the thirties was responsible for the loss of $200 billion of income. The public expenditures required to rebuild America, to provide needed social services, and to maintain full employment can be provided for out of the enormous income which the full utilization of our rich productive resources (material and human) makes possible. The costs of producing this income are merely payments to ourselves for the work done. There is not—there cannot be—any financing problem which is not manageable under a full-employment income. From a $100 billion income we can raise large tax revenues—large enough to service any level of debt likely to be reached and to cover all other Government outlays—and still retain for private expenditures more than we had left in former years under a $70 billion income with lower taxes. Taxes are merely one way of paying for social services and public-improvement projects which we need. But it is not necessary or desirable under all circumstances to finance all public expenditures from taxes. Whether taxes should equal, fall short of, or exceed expenditures must be decided according to economic conditions.

Everywhere it is said, and constantly reiterated, that we must tighten our belts and pay off our Government debt when peace returns. When is it desirable to pay off part of the debt? Certainly not when there is danger of an impending depression. Under certain conditions it would be desirable to do so. Under other conditions it would be quite unsound policy to retire the debt. Financial responsibility requires a fiscal policy (including governmental expenditures, loans, and taxes) designed to promote economic stability. It would be quite irresponsible to cut expenditures, increase taxes, and reduce the public debt in a period when the effect of such a policy would be to cause a drastic fall in the national income. Equally it would be financially irresponsible to raise expenditures, lower taxes, and increase the public debt when there is a tendency toward an inflationary boom.

Assume that after the war tax money is available for repayment of the public debt. Some holders of bonds receiving the repayment may wish to spend the proceeds, but most will want to reinvest. If new private investment in housing, factories, and other projects are adequate to absorb these funds together with the amount normally saved from income, the process of debt retirement will operate in a quite satisfactory fashion. But if there are not enough houses, factories, and other projects being built, the Government has no recourse (if unemployment and fall in national income is to be avoided) except to borrow the money back again and devote it to public improvement or other useful public projects.

About 75 percent of the public debt, directed and guaranteed, is held by institutions performing useful and necessary services which cannot be performed without adequate income. Another 5 percent is held in the form of nonmarketable U.S. savings bonds. The institutions referred to include the social security trust funds, savings institutions, educational and charitable institutions, life insurance companies, and commercial banks. For the rest—marketable securities held by individuals and business firms—we should not forget that financial stability is frequently encouraged by investment in gilt-edged Government bonds. This aspect was stressed by the famous Colwyn Committee in England in its report issued in 1927. Stated broadly, we should keep clearly in mind the fact that balanced against the taxes required to cover interest charges are the interest receipts of institutions and individuals who own the bonds. Thus the fact is that our public debt, owned as it is mainly by institutions performing useful and necessary services, is no such burden on the community as is commonly supposed. The tax funds collected to meet interest charges are not lost. They are paid right back again, largely to institutions that benefit the community as a whole. At the worst, the taxes are collected from one group of citizens and paid out to another group—the bondholders.

The public debt is something very different from the private debt of an individual. An individual will always improve his asset position if he is able to pay off a part of his debt. But a nation may make itself poor by repayment of public debt. This is true because such repayment tends to cause deflation, depression, and unemployment. It is a good thing to pay off a part of the public debt if you want to check an excessive boom. It would be ruinous to pay off the public debt in a postdefense period when unemployment was spreading.

A public debt internally held has none of the essential earmarks of the private debt of an individual. A public debt is an instrument of public policy. It is a means to control the magnitude of the national income and, in conjunction with the tax structure, to affect income distribution.

OUR OUTPUT POTENTIAL

Basically, our output potential is a function of our labor potential. What is important in judging the labor potential is not the number unemployed—actively seeking work—when the census was taken in March 1940. What is important is the labor potential which we can muster.

Two benchmarks are used here from which to measure our labor potential: (1) the employment reached at the peak of the 1929 boom, and (2) the employment reached at the peak of the 1918 war effort.

In the third quarter of 1929, 49.7 million were employed, or 56.7 percent of the population, 14 years of age and over. Applying this percent to the 1940 population in this age group, we get a labor potential, based on our first benchmark, of 57 million workers. A correction is, however, necessary. The age of entrance for youths to the labor market is now higher; the age of retirement for aged persons is lower; while, on the other side, the proportion of women in the labor market is now greater. Adjusting for these changes, as revealed in the census data, our labor potential is reduced to 56 million for 1940. Half a million will be added annually to the number through natural growth. Thus, the labor potential by 1942 will be 57 million and by 1944, 58 million—10 to 11 million in excess of the averaged employment of 1940.

In 1918, 44 million were employed in economic pursuits or in the military force, or 61 percent of the population, aged 14 and over. Applying this ratio to the 1940 population, we get a labor potential of 61.5 million. When adjusted for the factors enumerated above, we get a corrected labor potential, based on the 1918 war-effort benchmark, of 59 million for 1940, or 12 million in excess of the averaged employment in that year. By 1944, through natural growth, this would become 61 million, or 14 million in excess of the 1940 employment. Over and above the labor potential, we can divert from our former agricultural population 2 to 3 million without encroaching upon agricultural output. In addition, it is estimated that about 1 million, now engaged in more or less useless self-employment jobs, would gladly turn to more remunerative jobs in industry as employment opportunities develop.

It may be concluded that we may reasonably expect to have available for industrial and military employment a labor potential by 1943 or 1944 of 12 to 16 million workers in excess of the average number employed in 1940.

This labor potential cannot suddenly be put to work in industry. Experience, both in the United States and in Germany—the countries that experienced the most rapid expansion from the great depression—shows that the task of retraining and fitting large masses of labor into the productive process is a slow and difficult one. Even in a totalitarian country with its powers of regimentation and control it was not possible to increase employment except at a fairly moderate rate. In no single year, in the expansion from 1933 to 1939, was Germany, even with its compulsory labor regulations, able to absorb more than 1.8 million workers. With a population half the size of ours, this would mean, in terms of our population, 3.6 millions. And the average for the 4 best years was only 1.4 millions, or 2.8 millions in terms of our population. In the best year of the boom in the twenties, we absorbed only 3 million workers, and the average for the 4 best years was only 2.2 millions. In the best year of the recovery of the thirties, we absorbed only 2.9 millions and averaged in the 4 best years only 2.6 millions. We may thus conclude that an average absorption of 3 to 3.5 millions and a maximum absorption of 4 millions in a peak year is probably all that can humanly be achieved, especially when account is taken of the possibilities of transfer from agriculture and self-employment. On this basis we shall not reach our total potential employment for some time even if we rapidly expand our military force.

Past experience, both in America and elsewhere, indicates that output increases proportionally more rapidly than employment. This is true for the following reasons: (1) The secular rise in labor productivity tends continually to raise output relative to employment, (2) plant, equipment, and other overhead factors are more fully utilized as total employment increases, (3) in many fields, especially trade and the service industries, those already employed are occupied more continuously throughout the working day as the national income rises, and (4) the expanding industries, which absorb much of the additional labor, are "high productivity" industries. Actual experience in the United States in the boom of the twenties and the recovery of the thirties, and in the German expansion strongly support this theoretical analysis. In Germany, output increased more rapidly than employment straight through until full employment was reached before the outbreak of war. According to the American experience, the absorption of the potential supply of workers should enable us to increase our real income by $25 to $30 billions, in terms of 1940 prices. Thus, from the standpoint of our labor potential, we could expect the income to rise from $76 billions in 1940 to $100 or $105 billions in 1943 or 1944, assuming no increase in prices.

Miracles cannot be achieved overnight. The process of labor absorption and expansion of output takes time. In no years was Germany able to raise her real income by more than 10 percent, and the average was 9 percent. Similarly in the recovery years of the thirities, the average increase in real income in the United States was 9 percent.

Applying a 10 percent increase per annum, we get the following interesting figures for national income at 1940 prices:

	Billions
1940	$76
1941	84
1942	92
1943	101
1944	111

It is not improbable that the movement may be somewhat more rapid in the early years and somewhat retarded in the later years. We may be able to reach a real income (1940 prices) of $100 billions when our full labor potential has been realized. It is possible that shortages of basic metals and transportation may stop the expansion of $90 to $95 billions. But in the long run these shortages can be overcome.

THE POSTWAR GAP

In calendar year 1940, our national income was $76 billions. Of this, about $65 billions was expended on consumption, around $8 billions on net capital formation (over and above replacement capital expenditures)—on plant, equipment, housing, inventory accumulation, public works, and net foreign balance—and $3 billions on defense. Our output potential by 1943 or 1944, if metals and transportation shortages can be overcome, is probably around $100 to $105 billions at 1940 prices. Let us adopt as a model for illustrative purposes, $100 billions as our minimum realizable goal. Assume that the 1940 per capita consumption level is reduced. (It was higher in 1941, but 1942 will doubtless see a sharp curtailment in automobile purchases and also in the purchase of electrical equipment and other consumers' durables which encroach upon defense output.)

Let us suppose that consumption as a whole by 1943 or 1944 will fall below the 1940 level. Assume that $55 billions of the $100 billions would be spent on consumption. Considerably less than $8 billions per annum would be adequate for net capital formation. This is true because, of the $8 billions so spent in 1940, $2 billions was for inventory accumulations, $1 billion was for net foreign balance, while the net for housing and public works (over and above replacement) was about $3 billions. We cannot continue to accumulate inventories; the foreign balance will henceforth be financed (under lend-lease) mainly from the war budget; while housing and public works will certainly be considerably curtailed before long. Five billion dollars (which together with replacement expenditures would give us $14 to $15 billions of gross capital formation) may thus be set down as adequate for net capital formation, exclusive of the plant and equipment financed from the Federal defense budget. (In passing, it may be noted that only $3.8 billions per annum was expended on plant and equipment (net) in 1927–29.) Thus, $40 billions would be available for the war. This may be regarded as a minimum. We may be compelled before we are through to expend half of our income on the war effort. The national income may thus be apportioned, for illustrative purposes, as follows:

Components 1943 or 1944 income

[In billions; and at 1940 prices]

Consumption	$55
Net capital formation	5
War (including outlays for plant, equipment, and lend-lease)	40
Total national income	100

When the war is over and the $40 billions for war is curtailed, we shall be confronted with a gap that has to be filled by consumption and net capital formation if we are to maintain full employment.

We have assumed that consumption would be held down to $55 billions during the war effort. It is not likely that this could be achieved without (1) the imposition of heavy income and consumption taxes during the war effort, (2) part payment of the increased wage and salary bill in defense bonds (Keynes' plan), and (3) large voluntary purchases of defense bonds. If these ends can be achieved during the war period, the postwar release of funds thus diverted would help greatly to raise postwar consumption and so fill part of the gap from curtailment of war expenditures.

In the postwar period, the problem is how to fill the gap left when war expenditures are curtailed. Let us suppose the following components of the postwar national income:

Postwar income components

[In billions; and at 1940 prices]

Consumption	$80
Net capital formation (including public works and housing)	10
Defense (including International RFC)	10
Total	100

This model presupposes that consumption will have been lifted from $55 billion during the war period to $80 billion in the transitional postwar period. In the immediate postwar transition, the increase in consumption might come (1) partly from the full cash payment of wages and salaries in lieu of the assumed partial payment of wages and salaries in defense funds during the peak of the war effort; (2) partly through the conversion of the accumulated defense savings into cash by selling the defense bonds to banks or to individuals desiring to save and the expenditure of such sums on durable consumers' goods with respect to which, in all probability, a large backlog of deficiencies will have accumulated during the war period; (3) partly through an expansion of consumers' credit which we may assume will have been reduced to small proportions during the war period; (4) partly through a sharp reduction of the taxes imposed during the war period on liquor and tobacco, together with the complete abolition of excises on consumers' durables and luxury products; (5) partly through a shift (especially in the middle and upper income classes) from the purchase of defense bonds to enlarge consumption expenditures, especially on durable goods, and (6) partly through an enlarged program of Federal expenditures on social welfare, including family allowances; food stamp plan and other food subsidies designed to improve nutrition, including school lunches; greatly enlarged public health program; revised and expanded program for old-age assistance and old-age pensions; and Federal aid to education to bring up the standards in backward areas.

The model further assumes a considerable increase in net capital formation from $5 to $10 billion per annum. Including replacement expenditures, gross capital formation would thus amount to about $20 billion. The net figure of $10 billion includes inventory accumulations, net investment (over and above replacement expenditures) in plant and equipment, and in residential buildings and public works. All these areas (except inventories) may have been starved during the defense and war period, and, accordingly, large shortages may have accumulated requiring greatly increased capital outlays. Capital expenditures might well, for a year or two, rise to a level considerably above the figure indicated. After the last war a tremendous spurt occurred, lasting from the spring of 1919 to the middle of 1929, in investment in manufacturing plant and equipment.

The model further presupposes a figure of $10 billion for military outlays, including postwar international loans financed by the RFC as an integral part of some sort of international RFC set up to engage in international lending and designed to facilitate the rehabilitation and reconstruction of countries devastated by the war, and the expansion of investment in industrially backward countries, including South America and China.

Altogether the various factors enumerated above indicate the great possibilities for the expansion both of consumption and of private investment during the transitional period. Indeed, the potentialities for expansion of consumption and private investment in the immediate postdefense period are sufficient to indicate the possibility of a genuine and fairly prolonged postwar boom. The Federal Government should be prepared to play a balancing role, checking any temporary tendency toward an excessive boom, and, on the other hand, prepared to go forward with large Federal expenditures on public improvement projects to compensate for any strong tendency toward deflation and depression.

SHIFT TOWARD A HIGH CONSUMPTION ECONOMY

From the longrun standpoint, a persistently pursued policy to maintain full employment raises interesting questions with respect to the effect of such a policy on (1) the distribution of income, and (2) the proportion of a full employment income which, it may be expected, would be expended on consumption. In brief, it is reasonable to suppose that the ratio of consumption to income in a full employment economy would automtically tend to be higher than the ratio of consumption to income at the peak of a boom in a violently fluctuating economy. A full employment economy would tend automatically toward a distribution of income favorable to high consumption. This affords ground for optimism with respect to the feasibility of a positive program designed to maintain full employment. Such a policy, if successfully pursued, tends to develop repercussions upon the distribution of income which reinforce the program to maintain full employment.

That this is true can best be seen if we analyze the problem of corporate profits in a society continually operating at a full employment level. Peak prosperity profits have never in the past been realized for any considerable period of time. In a highly fluctuating society such as we have known, normal profits are some sort of average of good times and bad times. Thus, for example, in the period 1925–40, the net income of corporations fluctuated very violently in relation to the total national income. In periods of high prosperity, the ratio of net income of corporations to the total national income was high, while in periods of depression, despite a fall in the national income, the ratio of the net corporate income to the total national income was low. Over the entire 16-year period from 1925 to 1940, inclusive, the corporate net income averaged only 4.6 percent of the national income. It should be remembered, moveover, that this 16-year period included many years of serious depression, so that the average national income was relatively low. In other words, corporate profits constituted only a low percent of a small national income—small in comparison with the income potentially realizable.

In a highly fluctuating society, corporate profits are high in good times and extremely low in bad times, but the average must be adequate to motivate a profit economy and insure its workability. If, however, it were possible to maintain continuously a full-employment national income, it is obvious that corporate profits, representing the same percentage of national income as that averaged over the cycle in the past, would yield an absolute profit figure far above the experience of 1925–40. Yet such a percentage continuously maintained would be much lower than the high ratio of profits to national income reached in a fluctuating society in the peak boom years.

In a society operating at continuously full employment, it is not probable that peak-prosperity profits (in 1925–29 approximately twice the average for the entire period 1925–40) could indefinitely be maintained. In a fluctuating society such high profits are necessary to offset the losses of the depression years, but it is unreasonable to suppose that profits of the magnitude of boom periods would be realized indefinitely in a full employment system. They would almost certainly be eaten into, partly by competitive price decreases benefiting consumers and partly by the pressure for higher wages which invariably occurs in industries making large profits. Either development would tend toward a more equal distribution of income than has prevailed in the past in boom periods when full employment was reached. This is true because of the relative decline in the ratio of business profits to the national income at full employment levels. Yet, if a full employment income were continuously maintained, the ratio of business profits to national income over the whole cycle would probably be greater than that experienced in the past, while the magnitude of business profits would be considerably greater, owing partly to the higher average ratio, and partly to the higher average national income for the whole period.

It must be recognized, however, that there are certain limitations on how far profits can be encroached upon, either through wage increases or price decreases, without encountering unfavorable economic repercussions with respect to the cost-price structure. Wage increases and price reduction are likely to cut across all firms in an industry, whether they make profits or not; and wage increases are likely to spread even to industries which are not making abnormally large profits. Thus, the process of encroachment upon boom-time profits through wage increases and price reduction, if carried too far, may disrupt the appropriate balance in the cost-price system.

Redistribution of income through progressive individual and corporate income taxes is less disruptive of these relations for the reason that such taxes apply only where the profits and income actually emerge. They do not affect the high-cost industries which make no profit. As already indicated, there are limitations upon the process of redistribution of income through the methods of wage increases and price reduction. These methods are feasible up to a certain point, but the point is fixed by the requirements of cost-price balance.

Consumption can, nevertheless, be very materially raised through wage and price adjustments in a society continuously maintaining full employment. There would still remain, by reason of continuous capacity output, adequate profits to sustain and motivate private enterprises—indeed, better profits than those experienced on the average in a highly fluctuating society.

Such a shift evolving gradually could add several billions of dollars per annum to consumption expenditures at full employment levels. In addition, continuing improvement in labor productivity as a result of technical progress would make possible progressive wage increases without encroaching on the necessary profits required to motivate a private enterprise economy.

In a later postwar period, following the transitional readjustment, we may assume a gradually increasing national income. In terms of 1940 prices, $95 to $100 billion of national income by 1943 or 1944 appear, as indicated above, to be feasible. Accordingly, it should not be unreasonable to suppose that by reason of (1) increased productivity, and (2) population growth, the national income might rise to around $110 billion by 1950.

The components of such a national income, for illustrative purposes, might be set down as shown in the following table:

Components of national income, 1950

	Billions
Consumption	$90
Net capital formation (including public improvements, public housing, and International RFC)	15
Defense	5
Total	110

CONCLUSIONS WITH RESPECT TO POLICY

Obviously, the income models set down above can have no validity as statistical forecasts. They are useful, if at all, only as aids to analysis and formulation of policy. They suggest certain conclusions.

First, with respect to the war period, the following policies are indicated:

(1) High corporate income and excess profits taxes.

(2) Sharply progressive estate taxes.

(3) Broadening of individual income tax base together with steeply graduated surtax rates.

(4) Sharp increase in excise taxes on commodities competing with the war program.

(5) Part payment of wages and salaries in defense bonds.

(6) Qualitative shift in the components of consumption.

Second, with respect to the postwar period, the following policies are suggested:

(1) Retention of progressive (graduated) tax structure and broadened tax base, with major emphasis on the individual income tax and less reliance on the corporate income tax.

(2) Sharp reduction in defense consumption taxes.

(3) Adequate plans by private enterprise for private investment projects in manufacturing plant and equipment, in railroads, public utilities, and housing.

(4) Adequate program of public improvement projects including a nationwide development of national resources, express highways, urban redevelopment (involving among other things outlays in terminal facilities and reorganization of urban transportation), and a reorganized public housing program (including the setting up of a housing research laboratory designed to reduce construction costs and thus enlarge the scope of private housing construction).

(5) Expansion of public welfare expenditures—Federal aid to education, public health, old-age pensions, and family allowances. This involves partly an expanded program, and partly a means of reducing State and local property and consumption taxes, thereby stimulating private consumption expenditures.

(6) International collaboration to pursue internal policies designed to promote active employment; to explore developmental projects in backward countries; and to implement ways and means to open outlets for foreign investment, promote world trade, and the effective worldwide use of productive resources.

[Excerpts from
"National Resources Development—Report for 1943", National Resources Planning Board]

INTRODUCTION

Our peace aims are war weapons which in the end may determine the outcome of the military struggle in which we are now engaged.[1] Extensive postwar plans are being made now in every country of the world, both by the United Nations and the Axis. The governments of the world are expending for this purpose large amounts of time and money in the midst of fighting. Postwar planning agencies have been set up in Britain and the Dominions, in China, in Russia, by occupied countries such as Poland, Holland, and Belgium, as well as the enemy countries—Germany, Italy, and Japan.

The National Resources Planning Board, in presenting to the President a series of recommendations for postwar planning, at the outset states the general policy underlying its plans and programs.

We look to and plan for—

I. The fullest possible development of the human personality, in relation to the common good, in a framework of freedoms and rights, of justice, liberty, equality, and the consent of the governed.

As a means of protecting justice, freedom, and democracy:

II. The fullest possible development of the productive potential of all of our resources, material and human, with full employment, continuity of income, equal access to minimum security and living standards, and a balance between economic stability and social adventure.

As a means of insuring the peaceful pursuit of life, liberty, and happiness:

III. An effective jural order of the world outlawing violence and imperialism, old or new fashioned, in international relations; and permitting and energizing the fullest development of resources and rights everywhere.

The three factors—democracy, dynamic economy, and peace—never in the history of mankind have been united in a political system. The development of a society combining these three factors means a dynamic economy with fair distribution of the resulting gains throughout the community, the organization of this economy upon the basis of democratic controls and cooperation, the organization of a jural order of the world within which societies can live in peace and freedom. This is a novel combination never before attempted as a whole, although tried in part, nor ever before possible in man's history until the present time.

Experience clearly shows that it is impossible to maintain high standards of living without a dynamic economy; that it is impossible to live in peace without some effective force of world concert and order; that only under the fraternal influence of a democratic society can there be any security either for peace or prosperity, liberty and justice, or the continuing advancement of the spiritual ideals we cherish above material gains.

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[1] Wartime activities of the Board are covered in pt. II of this report, "Wartime Planning for War and Postwar."

This is the inexorable trend of our time, dictated by the growth of human intelligence, and by the awakening nobility of the human spirit with its insistent demand for fraternal recognition and appreciation by fellow men. This upsurging human personality, even in the terrible grip of war, looks for the new heavens and the new earth within its sight and grasp for the first time. If men of good will cannot unite to find a direction and show the way, men of bad will appear; they will loot the ships of state wrecked by the false lights on the shore.

It is for these aims that the United States is striking its hammer blows in this titanic struggle. This is not a war for revenge and conquest; for more lands, and more people; but for a peaceful and fraternal world in which the vast machinery of technology, of organization, of production may be made to serve as the effective instruments of human ideals of liberty and justice.

The National Resources Planning Board believes that it should be the declared policy of the U.S. Government to promote and maintain a high level of national production and consumption by all appropriate measures necessary for this purpose. The Board further believes that it should be the declared policy of the U.S. Government—

To underwrite full employment for the employables;

To guarantee a job for every man released from the Armed Forces and the war industries at the close of the war, with fair pay and working conditions;

To guarantee and, when necessary, underwrite—

Equal access to security,
Equal access to education for all,
Equal access to health and nutrition for all, and
Wholesome housing conditions for all.

This policy grows directly out of the Board's statement concerning which the President has said, "All of the free peoples must plan, work, and fight together for the maintenance and development of our freedoms and rights."

THE FOUR FREEDOMS

Freedom of speech and expression, freedom to worship, freedom from want, and freedom from fear; and

A NEW BILL OF RIGHTS

1. The right to work, usefully and creatively through the productive years;
2. The right to fairplay, adequate to command the necessities and amenities of life in exchange for work, ideas, thrift, and other socially valuable service;
3. The right to adequate food, clothing, shelter, and medical care;
4. The right to security, with freedom from fear of old age, want, dependency, sickness, unemployment, and accident;

5. The right to live in a system of free enterprise, free from compulsory labor, irresponsible private power, arbitrary public authority, and unregulated monopolies;

6. The right to come and go, to speak or to be silent, free from the spyings of secret political police;

7. The right to equality before the law, with equal access to justice in fact;

8. The right to education, for work, for citizenship, and for personal growth and happiness; and

9. The right to rest, recreation, and adventure, the opportunity to enjoy life and take part in an advancing civilization.

Plans for this purpose are supported and explained in this report. The previous publications of the Board, including "National Resources Development—Report for 1942," transmitted to the Congress by the President on January 14, 1942, and a series of pamphlets ("After Defense—What?" "After the War—Full Employment," "Post-War Planning," etc.) also provide background for this proposal.

A DYNAMIC EXPANDING ECONOMY

How can these aims be realized in practice? We know that the road to the new democracy runs along the highway of a dynamic economy, to the full use of our national resources, to full employment, and increasingly higher standards of living. This goal is within our reach if we plan to meet the challenge of our times.

Failure to adjust to new conditions cost us $200 billion in the decades of the twenties and thirties. But such losses cannot be measured accurately in money terms; for they include undernourished children, failure to provide needed medical care, failure to provide for elderly people, and the desperation which comes from long failure to have creative work to do. Such failure to use our resources results from our lack of adjustment to our changing economy. All necessary physical things exist to supply all reasonable wants of all the people of the civilized world, and especially of the United States.

Enough for all is now possible for the first time in history. But the mere existence of plenty of labor, raw materials, capital, and organizing skill is no guarantee that all reasonable wants will be supplied—or that wealth will actually be produced. For there are no automatic devices in our system that will insure fair distribution of income between various kinds of goods and services or guarantee full use of resources. Regardless of the existence of plant, labor, capital, and raw material, actual production of goods and services and the size of the national income will depend on effective consumer demand and effective organization. Fear of inadequate market for goods and services has compelled various restrictive policies to be adopted by producing groups in industry, agriculture, labor—as defense mechanisms. This fear must be removed.

Peacetime activities can be found big enough to keep people employed to the extent necessary, both to create the market—through effective demand—and create the goods and services to maintain national income at a one hundred billion level or higher. With the will to act, it is possible to reach this peacetime goal with no great departure from the pattern of life and enterprise that we have enjoyed.

Government can and should underwrite effective demand for goods and services. The methods to accomplish this purpose are several. No one alone is adequate. No list is final, for times and conditions change.

One of the most important economic facts we have learned in the past decade is that fiscal and monetary policy can be and should be used to foster an expanding economy. We need not be afraid of our monetary system and our production machinery. We have begun to master the tools of resource management in a changing world. We have long been aware of the possibilities within this area, but we have been dominated by fear of the controls of the system. The relationship between the private institutions of investment and banking and our monetary system are beginning to be understood. They have found their place in our orderly scheme of management so that it is possible to appraise their part in the moving scene. We have begun to understand the place private business plays in creating inflationary as well as deflationary currents in the national economic life. We have begun to see the place which public finance, municipal, State, and national, plays in maintaining economic activity.

Accordingly we plan for a dynamic expanding economy on the order of $100 to $125 billion national income. It has taken total war to reveal to us the capacity of our production machine, once it is fully energized. We know now that the American national income which was $40 billion in 1932 leaped to $76 billion in 1940. It has now reached the figure of over $100 billion (1940 dollars). Little vision is required to see that our production machine can be made to produce plenty for peace as well as plenty for war. We know that our national income is capable of far larger expansion. In addition to the progress of technology in the generation preceding the war there have been amazing advances in the last few years—inventions in the discovery of new applications of materials, and in organization both of men and materials. We have not yet even approached the limit of our inventive ability and organizational capacity. On the contrary, we have just begun to utilize our vast resources.

The Government need not and should not alone undertake the attainment of such high national production, but can underwrite it and cooperate in its attainment. It must see to it that the people are not let down by failure to stabilize employment and investment. With adequate postwar policy and planning, involving the cooperation of private industry—business, labor, agriculture—with Government, new levels can be reached far beyond anything yet attained.

We stand on the threshold of an economy of abundance. This generation has it within its power not only to produce in plenty but to distribute that plenty. Only a bold implementation of the will to do is required to open the door to that economy. Give the American people a vision of the freedoms that we might enjoy under a real program of American and worldwide development of resources, and all the opposition of blind men and selfish interests could not prevent its adoption. The people of America will respond if these possibilities are placed before them and if they are shown the way toward practical implementation of the will to do. Those who stand for revolutionary change in our economy are numbered in such few thousands as to be insignificant, but those who stand for profound evolutionary changes in the direction of making our economy function and produce the plenty of which we have seen it to be capable are numbered in the millions. If the leaders of this generation can summon their social inventiveness to the point of developing measures required for a program of plenty, they will have behind them a solid phalanx of supporters so overwhelming in their numbers and so enthusiastic in spirit that even the fainthearted and those who profit from instability will be swept along. In peace no less than in war, leadership must come from the stouthearted, the buoyant of spirit, and the fertile of mind.

There are many questions of ways and means to be considered involving hard and realistic dealing with details as well as with broad objectives. What are the postwar implications in the field of price levels, of possible inflation or deflation? What are the postwar implications of priorities and allocations; of rationing; of price fixing? What are the implications of the postwar period for changes in taxation, corporate, excess profits, and otherwise? What are the relations between tax reduction and restoration of purchasing power? What are the implications arising from changes in or removal of credit restrictions? What are the implications of debt repayment policy? What are the implications of the postwar period for wage levels, hours, and standards? What are the broad changes in economic status respecting the reorganization of industries and areas? These are only a few of the many kinds of policies that must be determined and administered in the period of reconstruction and reorganization which affects all areas and all occupations.

But the keys to postwar planning in this area are the dynamic economy, with expanding production, fair diffusion of the resulting gains, full employment, adequate purchasing power, a balance of security, and adventure.

DEMOCRACY AND DYNAMIC ECONOMY

The organization and operation of a dynamic economy on a high level of production and consumption can be accomplished only in a democracy. In the plans of democratic society no one can be omitted from full consideration. Free labor is not only happier labor, but it is also more efficient labor. Freemen produce more than slaves. Under modern conditions with our complex technology and widespread mechanization, close cooperation is the best basis of organization. The highest production whether on the farm or in the factory is not obtained by supervisors with whips in their hands but by the skillful union of management and labor. The best discipline, the highest morale, the greatest productivity are alike the products of good will, mutual confidence, and genuine cooperation among men. The loftier values of life are not fostered by brutality and violence, but by reason and justice.

Whether viewed from the material or the ideal point of view, democratic societies are best adapted to the operation and unfolding of the type of civilization in which we live and work. Slavery, piracy, autocracy, tyranny are outworn institutions—ancient evils—looking backward rather than ahead. Modern autocracies are burning up the accumulated goods of the society which produced the free and inventive mind, now the basis of modern science, technology, production, education, medicine, engineering. These social gains did not spring up from the seeds of inequality, of slavery, of brutality, and violence, but are deep rooted in the ideals of freedom, opportunity, reason, justice, equality. Even the tank, the airplane, the submarine, the armored ship, propaganda: these are our own weapons—invented by free peoples.

There is at the heart of tyranny and autocracy in our day, when men have more leisure and more learning, an internal conflict which cannot be resolved and which leads inevitably to weakness and disintegration. The masters of modern despotisms must have men to think new thoughts and devise new instruments of destruction; but they must be slaves who do not think too much. These slaves must be told what to think by masters who do not even know what to think about thinking. There must be a plentiful supply of cultured slaves who must do the bidding of bloody masters. Trying to use reason as a tool for injustice, violence, inequity, slavery, leads in the end to revolution.

Democracies did not prepare or plan for war on any large scale, not because they could not, but because they preferred peace and justice. They chose to use their energies for other purposes than the organization of large-scale warfare. The lack of military preparation was not democratic incapacity, but unwillingness to abandon the hope of organizing a world free from aggression and violence. Meantime democracies are abundantly demonstrating their ability to prepare for the enterprises of war. Not slowness but speed has characterized the amazing reorganization of the peace economies of democracy into instruments of flaming war.

There are still some who fear democracy cannot plan for peacetime postwar activities. This, too, is partly enemy propaganda and partly the faintheartedness of those who doubt the capacity of democracy to deal with the general welfare. This, too, is based upon a complete misunderstanding of the capacity of democratic institutions for constructive action.

In early days our Republic showed clearly the purpose of the founders to plan on broad lines for development of the national resources of that day. American history demonstrates democratic achievement in planning successfully the remarkable development of a public-land policy under the direction of Jefferson, the development of a fiscal policy and a commercial industrial policy under the leadership of Hamilton, the development of a transportation policy under Gallatin and others. In the first generation of our history there was set up a series of very comprehensive plans for the development of our public lands on the one hand and of manufacturing and trade on the other. Plans for industrial development in America and for the development of our public domain were the combined work of the two great figures of the time, Hamilton and Jefferson. Washington and the Adamses were deeply concerned with these plans, as were Madison and Monroe. Their planning of American national resources was the most daring and original design yet developed by man, growing out of the democratic purposes and leadership of the day. Education, science invention were closely interwoven into this whole plan of American development.

Some of these broad types of national developmental planning were lost sight of in the long struggle of the Civil War. After that war, the lead in planning was taken by new combinations of great industrial corporate power. But for the last 50 years we have been engaged in conservation, organization, laying down strategic lines of industrial and agricultural development in city, State, and Nation. The double task of our democracy has been that of expanding our national productivity at an amazing pace while maintaining ideals of social justice and of liberty in the midst of tremendous growth and progress. It would be wrong to ignore our many mistakes and many failures along the way. But a still greater error not to see success shining through our failures.

Now, our democracy is more capable than ever of making broad plans of national policy and of local, State, and regional policy as well. We do not stand at the broken end of a wornout way, but look forward to broad vistas of progress, to higher levels of achievement, to higher standards of material prosperity, and to richer possessions in the world of human values which cannot be measured by money standards.

It is time to outline more sharply a program through which democratic ideals may be more perfectly realized in the affairs of the community in the postwar period. The broad bases of such a program have already been stated in the four freedoms and in the Atlantic Charter. We have previously endeavored to spell out the program in greater detail in the new bill of rights and in the five specific objectives presented in our report for 1942.

EXTERNAL—INTERNAL

It is essential to consider some of the important relationships of internal planning to external planning.

The organization of a jural order of the world from which aggression is effectively eliminated will require many adjustments in the arrangements of the United Nations and all its units, and will of course profoundly affect the political and economic life of the United States. Policies and measures to curb aggression and to develop the resources of various countries will call for many types of concerted action and organization. We shall be confronted with military and economic decisions which will have to be made immediately at the end of hostilities to facilitate the transition to peace. To make victory secure, the United States as a part of the United Nations must aid in the disarmament of the Axis Powers, the demobilization of armies, the repatriation of war prisoners and dislocated populations, the feeding of the starving peoples, and the rehabilitation of devastated areas. The United States must gear its agriculture and industry to the tasks involved, and perhaps apply some form of lease-lend, use its shipping facilities, and supply technicians and organizers on a scale unknown heretofore.

Domestic planning after the war will depend in even larger measure than before on decisions with regard to external policies. Land-use planning cannot be adequately carried out without considering the place of American agriculture after the war in foreign markets. National planning for the maintenance and development of our waterways and harbors will depend on decisions with regard to international trade, shipping, and national defense. The planning of airfields and air transport will hinge in no small measure on the development of international aviation.

The most vital planning problem in the economic field at the end of the war will be the maintenance of full employment and avoidance of a prolonged depression following a short-lived postwar boom. The economic and social stability of the United States, as of other countries, depends in great measure on our capacity to prevent mass unemployment. But there is no question that full employment in the United States would help other countries after the war in maintaining economic and social stability. Full employment and high national income in the United States mean large imports from many lands and high levels of employment in many lands. Internal American prosperity spreads purchasing power throughout the world and tends to promote a high volume of world trade in goods and services. On the other hand, should we experience a slump, it would spell depression for other countries accustomed to sell their commodities and services in our markets. From the point of view of their own interests, most countries of the world desire to see the United States prosperous, active, and moving forward in its economic development.

Neither the United States nor the United Nations can achieve full employment after the war without extensive interchange of the products of world resources. This means that we must consider on what terms world resources will be exchanged. This cannot be done in a day, or by some simple panacea. Nor can there be arbitrary dictation. There must be compromise, concession, give and take. Some sacrifice by everyone will be necessary. There will be involved the problems of trade agreements, foreign trade, financing, currency, exchange, credits, tariffs, which must be examined in the light of the conditions created by the war. New devices may be applied to increase the volume and guide the direction of international trade.

Since the United States can attain these aims only in cooperation with other nations, it must relate its internal policies to measures facilitating the economic development of other countries. This integration raises many problems which call for decisions on specific as well as general issues. One of the main questions is that of the extent to which the United Nations should interweave economies into a system of world economy based on geographic division of labor. In relation to postwar employment planning, the question is, What is the maximum volume and optimum composition of international trade for the United States and other nations at given levels of employment and with a view to as favorable and reasonable terms of trade as possible?

As we participate in the economic development of Europe and the Far East, how can we adjust American trading relations to mutual advantage? The economic development of China is one of the essential factors in our postwar policy in the Far East. But the economic development of China will depend largely upon the amount of foreign capital and services which she can obtain for the building of roads and railways, the erection of powerplants, the construction of new industries, and the development of resources. As in the case of Latin America, the extension of American capital to China might mean the export of machinery and capital equipment for many years to come. Whatever domestic policies we adopt for insuring full employment might, therefore, be adjusted to the fact that there will be a large-scale development and growth of our capital goods industries for a number of years in order to aid in the development of Europe, China, Latin America, or other areas.

Another question of external-internal relations which will arise again is that of migration and population resettlements after the war. The United States can maintain its present restrictive migration policy, with a clear conscience only to the extent to which we help to maintain employment and production elsewhere so as to make the need for emigration less urgent. Large numbers of peoples in parts of Europe will seek avenues of escape from depressed living margins. The United Nations must cooperate in answering this world problem.

The future form or forms of organization for cooperation among the United Nations offer many alternative possibilities—economic, cultural, jural—with which many agencies of the Government are now dealing. Patience, inventiveness, courage, will be needed in order to solve the many complications and perplexities of the interrelations of diverse peoples. Never were greater demands upon sound statesmanship than these new situations even now being presented to the United States. It is necessary to look hard at economic, ethnic, cultural, political realities while keeping in mind the ideals for which we work. We strive for a free world of free peoples. But in taking thought for the morrow, we must use our heads as well as our hearts. Otherwise the children of our soldiers will be fighting another war; 200 billions of national income that should go to general well-being will go again to feed the appetite of Mars.

We are engaged today in a desperate war of survival because the world failed to accept the challenge of a world economy of plenty. This must not happen again. The earth on which we live is indeed the good earth with resources adequate to supply fully the needs of its 2 billion inhabitants, if only this generation can organize the will to do. The test is organizational ability and attitudes, not of basic resources. If we can organize and implement our resources and our ideals, we shall witness an unlocking of the latent force of production, a resurgence of the human spirit, a buoyancy that comes from participation in a mighty and constructive undertaking. It is bold and courageous goals not little aims that lift up the human heart. At last in the history of man's upward climb, freedom from want and fear is within his reach.

CHARACTERISTICS OF THE PROGRAM

The following program is based on a long series of Board reports dealing with the various subjects discussed, upon our extended experience in various phases of the present war effort and activities, on inquiry by competent technicians (whose reports are attached hereto), and on careful analysis of a large body of data and experience.

We do not present this as a complete and finished program but as material for consideration by the public in general and by those charged with direct responsibility for determining our national policies. We do not know the time and condition of the peace, but we can examine the elements of which the postwar problem will be made up, and prepare the way for alternative plans as our situation changes. In this respect, our responsibility is like that of a general staff working out alternative plans for action. The uncertainty of the future is not a valid excuse for inaction, but on the contrary it is a direct reason why we should explore the future as far as we can and make ready for a variety of different situations.

We recognize that in order to make effective this program of war aims and postwar adjustments to complete in peace the victory won in the field, certain governmental tasks be faced frankly by the American people.

Legislation will be required to give legal authority for the exercise of powers adequate to guide the progress from war status to peace status, assuring a balance between governmental controls and unregulated enterprise.

Administrative organization must be provided for the execution of this legislative authority and to assure the people of an orderly devolution of forms of economic, fiscal, and social controls required by war but which should be modified or relaxed. These forms will involve institutions which will be governmental, private, and mixed. They will be the instrumentalities through which the people will achieve the fruits of a democratic victory.

Planning for such administrative organization must not be left until the war is over. Indeed, the end of the war may not be sudden as it was in 1918. Planning for the required governmental machinery necessitates provision for sudden cessation of hostilities, of course, but also for ending war in different parts of the world at different times. Continuous attention may be given to this problem even while we are at war, for there will not be time after the end of fighting to create new machinery.

In every agency of Government thought is being given to the problems of postwar planning. The results of this thinking may be brought together as a basis for the overall postwar plan for governmental machinery in various ways. Some existing agencies of administration, regular and emergency, probably will be instruments for the execution of postwar programs. They should, without neglecting their supreme job of winning the war, plan now for their own conversion to meet the needs of cessation of war, the transition period, and then, for democracy, dynamic economy, and peace.

NATIONAL RESOURCES DEVELOPMENT—NATIONAL RESOURCES PLANNING BOARD

I. PLANS FOR TRANSITION FROM WAR TO PEACE

Plans, legislation, and administration must be agreed upon during the war for the transition period immediately following the cessation of hostilities. Such plans must, of course, be adjusted to considerations of military strategy. They must be made to fit a variety of situations. For instance, we may have victory in one field of battle and necessity for continued fighting in another. There may be a considerable period during which we may be still fighting in Europe or in Asia while we are attempting at the same time to organize the peace in the other continent and adjusting our own economy. We shall probably have to demobilize our fighting forces—men and equipment—over a period of months; just as it took months to mobilize men and machines for active war service.

War weariness and "back to normalcy" cries will face our leaders at the end of the fighting. A large part of the problem of "winning the peace" after other wars has been the natural relaxation of tension which followed military victory—forgetting that the triumph of arms only opens the door to the problems and opportunities of creating and organizing the peace.

Extremes of hope and fear will inevitably be present—the fear of a depression with large numbers of unemployed men from the Armed Forces or from war factories; the hope of a "boom" to fill the pent-up demands for consumption goods which have been restricted during the war. Too much confidence and "boom" may in turn lead to too speedy relaxation and end in an even greater depression with inadequate or weakened tools in the hands of the Government to combat it. Postwar adjustment plans must head off both boom and depression and substitute orderly gradual progress.

Our plans must, therefore, leave considerable discretion in administrative agencies. The recommendations which follow cover the demobilization of men, machines, and controls in that order.

A. DEMOBILIZATION OF MEN FROM ARMED FORCES AND FROM WAR INDUSTRIES

Legislation for postwar adjustment of manpower from the Armed Forces and war industries

The demobilization of the Armed Forces of the Nation must be as carefully planned as their recruitment. The Selective Service Act of 1940 directed that arrangements be made for the return to previous employment of all men called for service with the Armed Forces of the Government. A Reemployment Division in the Selective Service System directs the work of reemployment committees in various localities which cooperate in replacing all persons in the Armed Forces released from service. This Division is planning for the future demobilization of Armed Forces and also is studying potential employment demands in the postwar period.

An informal conference on postwar adjustment of civilian and military personnel has been meeting for the last 6 months under the auspices of the National Resources Planning Board. It is composed of—

Dr. Floyd W. Reeves, National Resources Planning Board, Chairman.

Lt. Comdr. Ralph A. Sentman, U.S. Navy (retired), Bureau of Naval Personnel, Navy Department.

Col. Francis T. Spaulding, Special Service Division, War Department.

Gen. Lewis B. Hershey, Director, Selective Service System.

Brig. Gen. Frank T. Hines, Director, U.S. Veterans' Administration.

Dr. Edward C. Elliott, Chief, Professional and Technical Employment and Training, War Manpower Commission.

Dr. William Haber, Chairman, Planning Committee, War Manpower Commission.

Dr. A. F. Hinrichs, Acting Commissioner, Bureau of Labor Statistics, Department of Labor.

Dr. T. J. Woofter, Jr., Director of Research, Federal Security Agency.

Dr. Howard R. Tolley, Chief, Bureau of Agricultural Economics, Department of Agriculture.

Dr. Francis J. Brown, Secretary, Joint Army-Navy Committee on Welfare and Recreation, War Department.

Mr. Leonard Outhwaite, Secretary.

In a statement issued by the President at the time of his approval of the bill extending the Selective Service Act to young men of 18 and 19 years of age, the President said:

> I am causing a study to be made by a committee of educators, under the auspices of the War and Navy Departments, for the taking of steps to enable the young men whose education has been interrupted to resume their schooling and afford equal opportunity for the training and education of other young men of ability after their service in the Armed Forces has come to an end.

The Committee has been set up under the chairmanship of Brig. Gen. Frederick H. Osborn, Director, Special Service Division, War Department, with the following members: Y. B. Smith, dean, Columbia Law School; Dr. D. M. Keezer, Office of Price Administration; Dr. R. C. Harris, president, Tulane University; Capt. Cortlandt C. Baughman, Chief, Special Activities Branch, Navy Department; and John W. Studebaker, Commissioner of Education, Office of Education.

The President directed that in making these studies the Committee should correlate its activities with the related studies of the National Resources Planning Board and further directed that the Board make its facilities available for the work of the committee.

Programs of vocational education and reeducation, both in vocational schools and in industry, must be adapted, and retained, for the purpose of preparing men to assume jobs in industry after they are released from the Army or Navy. We shall not be content this time to give each man $60 in cash and a ticket home. Every reasonable provision will have to be made to insure that these young men shall be enabled to take up their places in civilian life with only the inevitable loss of time which their service will entail. Also, protection of the insurance rights of servicemen, under our social insurance systems, not only for those who left covered occupations to enter service, but for those who enter covered occupations after the war, must be guaranteed. In all these problems we have the benefit of Canadian and English experience, where many such provisions are already written into law. In addition to such provisions for the appropriate groups of men, it is possible that the idea of a dismissal wage or allowance, proposed in relation to those employed in industry, is also applicable to demobilized men from the Armed Forces.

What of the other, even larger, problem of the demobilization of our civilian employees in our war industries? It is arguable that it would be less wasteful to continue some war production beyond absolute military necessity rather than to halt it all precipitately at the same time. Not alone would the immediate worker in war industries thrown out of work be affected by hasty industrial demobilization but transportation workers and the suppliers of raw materials for war production would also be affected. It is possible that some whole industries created to meet the Nation's need will appropriately be the Nation's charge as they retool and convert for peacetime pursuits.

A dismissal wage, possibly to be paid in installments, over a period of time, may seem a wise national safeguard. Nationwide extension and liberalization of our unemployment compensation system might accomplish the purpose without the introduction of new machinery. Use of the projects for public works, which are described later in this report, to fill in any gaps in employment opportunity and to make wider and more efficient use of national resources, may be appropriate in the period of adjustment. Plans for demobilization must take precedence over longer range objectives because the ability to meet the immediate postwar situation wisely will determine whether we shall have the opportunity to pursue an orderly progress toward our long-range goal.

Studies now underway by this Board and by various Government agencies will provide much of the factual material needed for D-day plans.

B. DEMOBILIZATION OF WAR PLANTS, MACHINES, AND WAR CONTRACTS

Among the various policies for terminating and converting war plants to peacetime use, the following are recommended for consideration:

1. Arrange for the orderly conversion to civilian use of unneeded war production facilities, through:

(*a*) Procedures to dispose of Government-owned plants to private operators willing and able to proceed with conversion of plants to peacetime use and to early operation.

(*b*) Prevention of monopoly control of plants in the interest of a single group or industry. Large Government-financed war production plants, especially those producing basic metals and materials, should be distributed among numerous operators to encourage healthful business competition.

(*c*) Planning for a more desirable regional distribution of manufacturing from the standpoint of national defense and local diversification, by retaining in operation selected plants, financed in new industrial areas during the war by the Defense Plant Corporation or directly by Government allowance of rapid depreciation.

(*d*) Technical assistance to private operators of war plants to find the most appropriate peacetime use for their buildings, equipment, and labor skills in making products which could be economically distributed from the community in which the plant is located. Government should help plan the forms of industry conversion by supplying the probable patterns of consumer demands and the related pattern of demands for durable producer goods.

(*e*) Placing of Government orders for new major development projects, especially in the fields of urban reconstruction, river basin development, agricultural rehabilitation, and modernization of transportation, by Government agencies, the Reconstruction Finance Corporation, or the modified form of Federal Development Corporation suggested below. (The procedure would stimulate activity in such basic industries as steel and light metals, other construction materials, machinery and machine tools, as well as in the construction industry itself.)

(*f*) Provision for plant rehabilitation grants to be used for conversion of plant to peacetime production, and with grant contingent on actual conversion to production of peacetime goods within a specified period. (This procedure might be appropriate for industries with which Government agencies would not be likely to place orders under 1(*e*) above, but where dislocation of whole communities and consequent losses of public and private investment might be avoided by quick conversion.)

(*g*) Granting of low-interest-rate Government loans to projects approved for conversion.

(*h*) Immediate provision in Federal tax laws for establishment of postwar conversion reserve, limited to use within a short period after termination of war contracts.

2. Select the war plants to be maintained in operation or in standby condition. Before the end of the war, the war facilities to be retained in operation or in standby condition must be selected in order that local communities and the operating industries can adjust their plans to meet the standby status of plants so selected.

3. Continue certain war contracts, in present or renegotiated form, needed for maintenance of military forces, for experimental production of improved military equipment, for requirements under existing lend-lease agreements, for stockpile war reserve, or for other governmental needs, so far as possible in areas where the replacement of war production by peacetime activity is likely to be slow and difficult and where sudden termination of contracts, therefore, would cause undue hardship and disruption of community life.

4. Arrange for the liquidation of all other war contracts as speedily as is consistent with economic and social welfare, and with reasonable regard to employment conditions and liabilities of contract holders, in order to:

(*a*) Prevent unnecessary use of labor and materials, since the supply of finished munitions on hand would then be ample for a peacetime army and since experimental production would be devoted to the making of improved military equipment.

(*b*) Stimulate rapid conversion of plant and machines to peacetime production (*see also* "Promotion of Free Enterprise," p. 27).

5. Assist small producers and distributors and small enterprises which are war casualties. This assistance should include technical advice, marketing aids, and favorable terms of financing.

6. Develop new industries, new processes, and improved products, by research work within the Government, increased assistance for research to private activity, aid in the dissemination of information on new materials, new processes, and new uses; and by maintaining free access to the use of both old and new materials and processes unhampered by misuse of the patent system. Provision should be made for access to those new inventions which are brought out by publicly supported or tax-exempt institutions.

7. Extension and new forms of joint private and governmental partnership, through use of mixed incorporations, granting or insurance of loans, or other joint ventures, etc. Government is already taking considerable part in the management of the many war industries which have been greatly expanded by the use of Government funds. Consideration should be given to the desirability of various types of partnership, in the direction of those industries of crucial importance in both a wartime and a peacetime economy and in which the Government has made great investments. In this category are aluminum, magnesium, shipbuilding, and aircraft. Government has a direct responsibility and should participate in the decisions as to what areas and what concerns should continue to operate in these industries.

C. DEMOBILIZATION OF WARTIME ECONOMIC CONTROLS

We recommend for consideration:

The relaxation, modification, or retention of wartime controls is dependent fundamentally on the length of the war. The longer the war continues, the more rigorous the economic controls will become, since war demands will absorb more and more of our productive effort. Even with the attempts to maintain the essential plants in good working condition, large inroads will be made upon our capital goods.

Even with a fiscal policy favorable to a rapid transition to a peacetime economy and closely integrated to other methods of control, it would seem highly probable that for a time allocations of scarce raw materials will have to be retained, rationing of scarce consumer goods will have to continue, and some price controls, and wage controls, will have to be retained.

1. The policies for economic stabilization and production control developed during the war will of necessity be modified after hostilities cease. Many of the policies affecting present control will be reversed. Instead of endeavoring to restrict the consumption economy, the attempt will be to spread existing supplies as far as possible both at home and abroad. For at least a short period of time it will be necessary to draw on American productive capacity for most of the staples. The extent to which this can be done will, however, depend upon the extent to which inroads are made on American supplies and stock-

piles. As supplies become more adequate, the rigorous character of controls can be relaxed.

2. The regulations which limit the production of certain goods can be radically changed almost immediately. The expansion of enterprises concerned with the production of peacetime goods will be the first in order of importance. Thus the elimination of restrictions in this sphere can be expedited.

3. Commodity (consumer goods) rationing will probably continue, not only in order to secure more equitable distribution of scarce supplies, but also to prevent violent increases in prices. The inability to shift fiscal policy quickly suggests the possibility of runaway prices even after the war, such as the inflation that took place in 1920.

4. The demands for durable consumer goods may be very difficult to satisfy because of deferred demands and the time necessary to provide adequate plant capacity and to produce new supplies. Hence it may be necessary to continue rationing durable consumer goods probably for a longer period than other consumer goods.

5. Allocation of scarce raw materials should be retained until domestic and foreign producers have been able to supply sufficient quantities to make possible the reestablishment of a normal peacetime market. For many raw materials, the reduction in military demand will be more than sufficient to allow the satisfaction of all the immediate civilian needs. In some of these cases, it will be desirable to arrange for stockpiling of strategic materials.

6. Control of the distribution of industrial and construction equipment and other producers' goods will be needed so that priorities may be given to the rebuilding and reequipping of factories and so that a proper sphere will be reserved for housing and other programs.

7. Corollary to the rationing and allocation will be price regulation. Retention of price controls should be expected for any commodity, as long as the potential demand is greatly in excess of available supply. For many industries it will take a considerable period of time to rehabilitate productive capacity and turn out enough goods to satisfy accumulated consumer demands. Without price control, violent inflation would result. Unless price controls are retained, a flood of buying in advance of ability to reconvert to peacetime production and distribution, would make it impossible to achieve an orderly transition to a civilian economy. The kinds of commodities for which prices must be fixed and the types of price controls to be retained will depend on the length of the war and the market position for each industry at the end of the war.

8. In the transition period the supply of labor will be such that in the absence of positive controls the labor standards built up over the years by collective bargaining and by legislation will be in danger of being seriously undermined. Vigorous enforcement of protective labor legislation will be necessary.

9. Utilize the wartime experience to develop such regulation as may stimulate the effective functioning of competitive business in normal times. Wartime experience has indicated the public importance of certain industries and the desirability of continued Federal control of their operation. Industries based on scarce raw materials, or those with rapidly diminishing reserves, and industries supplying power and fuels, fall into this category. Transportation and other public

services may likewise be more closely controlled in the interest of national defense and the public welfare. The Government should retain control over patents and properties seized from enemy aliens and operate them directly or license their use in such a way as to encourage competitive development by private operators.

For the longer range development of an expanding economy after the war, our free enterprise system and economic freedom for the individual will demand constant assistance from Government and a renewed sense of vigilant responsibility on the part of all citizens.

It is appropriate that the National Resources Planning Board as an agency of the Federal Government, should give special consideration to the assistance and actions which Government should undertake. Because of the Board's direct responsibility for the preparation of programs of public works which have regenerative or enduring value, a special place is given in this postwar plan to public works.

But, the main reliance for an effective consumer demand must come from private activities taking the lead in opening of new enterprises and in using our new productive capacity. The Board is under no illusion that the construction industry which now, with public and private activity combined, is at a peak of $11 to $14 billions can control a national income of $110 billions.

II. PLANS FOR DEVELOPMENT OF AN EXPANDING ECONOMY THROUGH COOPERATION OF GOVERNMENT AND PRIVATE ENTERPRISE

A. PLANS FOR PRIVATE ENTERPRISE

For the maintenance of and assistance to free enterprise and economic democracy we recommend for consideration.

1. Measures to encourage the healthy and aggressive development of private enterprise, to stimulate initiative and resourcefulness of management and to open the channels of investment opportunity, large, and small.
2. Measures to prevent the abuse of economic power, or monopolistic privilege, and to check the wasteful exploitation of the Nation's resources.
3. Measures to eliminate avoidable uncertainties and needless burdens in the laws affecting enterprise and in their administration.

(*See also* "Promotion of Free Enterprise," p. 27.)

B. PLANS FOR FINANCE AND FISCAL POLICIES

It is our national policy (as it has been since the beginning of our history) to accept as a suitable role of Government, positive effort to foster and encourage the free activities of private individuals and agencies in advancing their well-being through productive enterprise.

Accordingly, the fiscal and monetary policies of the Federal Government should be conceived and administered to complement and supplement these activities of private enterprise in the maintenance of adequate effective demand.

Working under appropriate legislative guidance and authority, the several branches of the Federal administration dealing with fiscal and monetary policies and action must work within the framework of a common national policy, if our purposes are to be satisfied.

Experience has shown that common national policy in the fields of taxation, expenditure, Federal borrowing, Federal lending, and monetary planning cannot be achieved by the several Federal agencies working separately or by voluntary time-to-time collaboration.

Public works, social security, and like programs and activities give reality to the maintenance of adequate purchasing power, the securing of full employment and the optimum degree of private business activity, and would necessarily be considered in the formulation of the various phases of a unified national plan.

The fiscal plans of State and local governments and those of the Federal Government must be firmly associated lest the policies of these important taxing and spending agencies conflict in the discharge of their respective responsibilities.

The kinds of fiscal and monetary question that will require consideration in the postwar period are illustrated by the suggestions in the Board's pamphlet, "After the War—Full Employment," as to policies then probably desirable, in part as follows:

1. Retention of progressive (graduated) tax structure and broadened tax base, with major emphasis on the individual income tax and less reliance on the corporate income tax.
2. Sharp reduction in consumption taxes.
3. Adequate program of public improvement projects.
4. Expansion of public welfare expenditures. This involves partly an expanded program and partly a means of reducing State and local property and consumption taxes.
5. International collaboration to pursue internal policies designed to promote active employment, and to implement ways and means to open outlets for foreign investment, to promote world trade, and the effective worldwide use of productive resources.

C. PLANS FOR IMPROVEMENT OF PHYSICAL FACILITIES

We recommend for consideration:

1. *Preparation during the war for expanded programs of development and construction of physical facilities*

(*a*) With private enterprise, through the Reconstruction Finance Corporation or possibly one or several Federal development corporations and subsidiaries providing for participation of both public and private investment and representation in management—particularly for urban redevelopment, housing, transport terminal reorganization, and energy development. Government should assist these joint efforts through such measures as:

(1) *Government authority to clear away obsolescent plant* of various kinds as, for instance, we have done in the past through condemnation of insanitary dwellings, to remove menace to health and competition with other or better housing.

(2) *Governmental authority to assemble properties for reorganization* and redevelopment—perhaps along the lines of previous grants of the power of eminent domain to canal and railroad companies for the acquisition of rights-of-way.

(*b*) With public agencies, through public works and work programs, as recommended in previous reports of the Board and summarized in III of this section.

2. Plans, legislation, and organization now for:

(*a*) *Urban redevelopment.*—In order to facilitate city building and redevelopment, improve urban living and working conditions, and stabilize employment and investment, we recommend:

(1) That metropolitan regions and cities set objectives and make plans now, for their whole urban areas and for the human, institutional, and physical problems that will follow the war. Federal and State agencies shall provide technical assistance and grants-in-aid to promote such planning, both for the longtime building and rebuilding of urban areas.

(2) The establishment of agencies, authorities, or arrangements in metropolitan regions and cities, broad enough to deal with the problem regardless of existing arbitrary boundary lines, and with powers adequate to deal promptly and effectively with the basic problems of urban reconstruction, including: public land assembly, ownership, and control; taxation; transportation terminal coordination and redevelopment; elimination of blighted areas, whether residential, commercial, or industrial; construction of buildings and facilities to assure adequate housing and working conditions and for provision of essential urban services such as sanitation, health, welfare, education, recreation, and transit.

(3) That Federal legislation be enacted authorizing such Federal participation in such agencies, authorities, or programs as may be necessary and appropriate in particular localities to carry out the foregoing purpose of stabilizing employment and investment and of promoting the development, security, and well-being of urban communities, such as assigning to an urban subsidiary or group of metropolitan subsidiaries of a Federal Development Corporation powers to finance or directly acquire and develop or redevelop urban properties.

Further material on problems of urban conservation and development are contained elsewhere in this report; in "Our Cities, 1937"; the Board's report for 1942; and the pamphlet, "Better Cities," issued by the Board in April 1942.

(4) Relocation and modernization of terminal facilities—air, rail, highway, and port—either these metropolitan authorities should be given appropriate powers or such powers should be included with:

(*b*) *Transportation modernization.*—We recommend: (1) *A National Transportation Agency* should be created to coordinate all Federal development activity in transportation, absorbing existing development agencies, and cooperating actively with regulatory agencies. The Agency would be responsible for unifying Government transportation planning, administrative and development functions, and would assume leadership in consolidation, coordination, and reconstruction of transportation facilities and services.

(2) *Public responsibility for basic transport facilities* for all media of transport—air, rail, water, highway, pipes, etc.—through—

Terminal reconstruction.—Planning and construction of modern unified terminals as an integral part of the city plan for urban areas is a logical public responsibility for which the Transportation Agency should undertake active leadership.

Federal credit for the provision of new facilities, and for the modernization and rehabilitation of selected old facilities such as new transcontinental transportation strips for all media, East and West and North and South, new aids to navigation and safety provisions for all modes.

(3) For each media, we recommend consideration of:

Railroads.—Consolidation of railroads into a limited number of regional systems by legislation with appropriate authority granted to the Transportation Agency to enable such a program to be carried out vigorously. Grade and curvature revision, construction of cutoffs and unification of important through railroad routes, application of modern signal and dispatch devices, and revision of trackage facilities to provide adequately for efficient and low-cost postwar traffic.

Highway transport.—Under the leadership of the Transportation Agency and on the basis of powers inherent in the control of Federal development funds, the task of establishing highway transport on a modern and efficient basis after the war should be undertaken at once. Major emphasis must be directed to the provision of express highways and off-street parking in *urban areas.*

Under the guidance of the Transportation Agency distribution of Federal and State funds to municipalities should be revised to cope adequately with the urban problem.

Authority should be granted the Federal and State Governments to acquire and finance adequate *lands and rights-of-way* for the account of State and local governments as well as for Federal development agencies to permit the ready undertaking of projects after the war.

Expansion of air transport.—The Transportation Agency should plan immediately for the conversion of the aviation industry from war to peace; for the development of an expanded and integrated system of airports and airways designed for both passenger and freight services; and for a rational program for coordinating an expanded air transport system with other types of transport.

New river and harbor developments for internal and foreign trade, as required to round out existing systems and where justified by existing or prospective traffic which can thus be handled more economically than by other means of transportation.

Pipelines.—The Transportation Agency should, in cooperation with pipeline companies or through a public or mixed cooperation, plan and carry out an enlargement and integration of the network of major pipelines under which the Nation's essential liquid fuel supply can be assured in future emergencies.

(4) *Postwar investment.*—The transportation industries, properly developed and coordinated, offer some of the most promising opportunities for wise investment. Planning and execution should be a function of the Transportation Agency and should seek to facilitate the transition from war to peace and provide America with the best that can be devised in integrated transport facilities.

These proposals are developed in the report of the Board on Transportation and National Policy, *1942.*

(*c*) *Energy resource development.*—

We recommend for consideration:

(1) *Electric power.*—Through public or mixed corporations with private and public funds and directors to provide interconnected systems of common carrier electric transmission lines to deliver energy to all wholesale purchasers.

Coordinated public and private *development of waterpower*, power operation and marketing from publicly owned plants, such as Columbia River, Boulder Dam, and TVA, through regional agencies.

Rural electrification.—An expanded program of the type already planned by the Rural Electrification Administration.

These recommendations are developed from the Board's previous Report on Energy Resources, *1939, statements in the last two annual reports, and current work for the War Production Board.*

(*d*) *Multiple-purpose water resource development.*—

We recommend:

(1) *Continuing Federal assistance* for comprehensive multipurpose development and control of water resources.

Legislation should be adopted, or positive Executive action taken to promote the recommendations set forth in the Board's 1941 report on National Water Policy published on pages 39 and 371 of House Document 142–77–1.

(2) *Pollution control and abatement* on rivers of the United States through passage of such a bill as provided in *S. 685, 76th Congress, 3d session*, with grants-in-aid, loans or other assistance to private and public bodies for approved projects.

See also previous reports of the Board, for 1934, 1941, and 1942, "Drainage Basin Problems and Programs for 1936 *and* 1937," *and* "Water Pollution in the United States"—*House Document 155 and House Report 4314—76th Congress, 1st session.*

(*e*) *Land development projects.*—We recommend:

(1) Development of plans and agreement before the end of the war on policies for financing land development projects to be undertaken after the war, for *irrigation, clearance, and drainage projects*—in harmony with water and settlement policies; range, forest, recreation, and wildlife *land improvements*, including reseeding, reforestation, restocking, transportation, and administration facilities.

(2) *Conservation of land resources* through programs with Federal assistance for purchase and conservation of retirement of submarginal areas; expansion of soil conservation activities; fire control, etc.

A supporting statement for these recommendations is contained elsewhere in this report. See also the Board's report "Public Works and Rural Land Use—1942."

(*f*) *Housing.*—One of the most important outlets for the potential products of converted war plants will be the provision of adequate housing, both urban and rural. The Government should plan to initiate a large public housing program and assist in stimulating both private and public construction activities. Many of the wartime industries are already looking toward housing construction as a major possibility for use of their great new production capacities. The National Housing Agency is responsible for the preparation of plans and policies to develop wholesome housing for the American people.

Recommendations of needed actions by Federal, State, and local governments are included in the pamphlet, "The Role of the Housebuilding Industry," *issued by the Board in July 1942. See also the Board's report,* "Housing—The Continuing Problem, *1940*."

3. Legislation to provide a ready program of public construction

The public construction we shall undertake when the war is over should be planned now, and adequate authority and funds for such planning should now be made available by Federal, State, and local governments. The program to be planned for should be of such a character that it will facilitate, and carefully avoid hindering, our postwar industrial conversion to peacetime production, and should be designed, first, to bring our public facilities plant up to its proper level of serviceability, and, then, to develop further the economic possibilities of the Nation.

These recommendations are amplified and supported in the Reports of the Board for 1941 and 1942. Progress in the preparation of public works plans is reported in part II.

In order to provide a "shelf" or "reservoir" of public construction projects of tested value, the Board recommends:

(*a*) Continued and invigorated efforts to secure the preparation of 6-year programs or capital budgets by Federal agencies, State governments, local governments, and other agencies, public and private.

(*b*) Lists of projects should be prepared and classified according to size of the project, types and locations of skilled and unskilled labor involved, materials needed, rapidity of beginning, and flexibility of termination—all in relation to employment stabilization.

(*c*) Immediate inauguration of surveys, investigations and preparation of engineering plans and specifications for selected projects through allocation of aids to Federal and non-Federal agencies from a fund to be administered by the President through his Executive Office; and reimbursed to the fund as part of the cost of construction of the project—all to permit rapid inauguration of work on projects in times of need.

(*d*) Advance authorization by the Congress of—

(1) Procedures for grants, loans, guarantees of loans, leasing arrangements, or other devices for aids to State and local governments of non-Federal projects effective upon appropriation of funds by the Congress; and of

(2) Construction of Federal projects in a 6-year program of selected projects. Such authorization should be effective upon appropriation of funds by the Congress, and not in itself involve any commitment for the immediate construction of the project.

(*e*) Appropriation for advance purchase of sites of projects by appropriate governmental agencies.

(*f*) Development of methods of financing public works projects and studies of related problems of investment, taxation, and the Federal, State, and local shares of responsibility for costs of various types of public works and related activities.

(*g*) Coordination of public works construction at all levels of government, with other public policies which affect the level of business activity and employment, such as fiscal policy, social security policy, and policies of aid to private enterprise.

D. ESSENTIAL SAFEGUARDS OF DEMOCRACY

1. Measures to *prevent the rise of new industrial oligarchies* during the war or during the period of readjustment following the cessation of hostilities, including enforcement of antitrust laws to break up monopolies and provide opportunities for small business enterprises.

2. Measures to *uphold the right of labor to collective bargaining*, fair wages and hours, healthy and effective working conditions, responsibility in organization and sharing in management.

3. Measures to *maintain the fair share of the farmers* in the benefits of an expanding economy with opportunity for higher standards of living and greater security.

III. PLANS FOR SERVICES AND SECURITY

A. PLANS FOR DEVELOPMENT OF SERVICE ACTIVITIES

Legislation and organization to provide service for:

1. Equal access to education

We recommend:

(*a*) That *equal access to elementary and high school education* be assured all children and youth.

(*b*) That *equal access to general and specialized education* be made available *to all youth* of college and university age, according to their abilities.

(*c*) That *adequate funds* be made available by the local and State governments and underwritten by the Federal Government to carry out the recommendations presented above.

2. Health, nutrition and medical care

Assurance of high standards of health and adequate nutrition for all. As a nation we desire the conservation and improvement of the health of our people to avoid the wastage, through premature death, ill health, and accidents, of our most valuable national resource, and to eliminate the unnecessary costs of maintaining those who are rendered incapable by reason of neglect.

The Board recommends:

a. Health Measures and adequate nutrition in order to eliminate all diseases, disabilities, and premature deaths which are preventable in the light of existing knowledge, through:

(1) The development of adequate public health services and facilities in every county within the country.

(2) The development of a health program for mothers and children insuring remedial treatment as well as diagnosis and advisory services; maternal and child health clinics; and health services in the schools.

(3) Protection of workers whether in the factory or on the farm from unnecessary accidents, controllable occupational diseases, and undue fatigue.

(4) Continued support from public and private funds for public health research and education with a view to the progressive expansion of the frontiers of control over health hazards.

(5) Continued support for public and private agencies engaged in the dissemination of knowledge of sound nutritional principles and practices. Especial attention should be devoted to demonstration work in the schools, the factories, and farming areas.

b. Assurance of adequate medical and health care for all, regardless of place of residence or income status and on a basis that is consistent with the self-respect of the recipient, through:

(1) Federal appropriations to aid States and localities in developing a system of regional and local hospitals and health centers covering all parts of the country.

(2) Assurance of an adequate and well-distributed supply of physicians, dentists, nurses, and other medical personnel.

(3) Expansion and improvement of public medical care for needy persons through larger appropriations and through increased cooperation by and with the medical and dental professions.

(4) Immediate action by Government in cooperation with the medical profession to formulate plans which enable the patient to budget expenses over a reasonable period and to contribute toward the costs of care according to his ability, and which at the same time assure to medical personnel a decent livelihood commensurate with the high costs of their professional training.

B. PLANS FOR UNDERWRITING EMPLOYMENT

To guarantee the right to a job, activities in the provision of physical facilities and service activities should be supplemented by:

1. Formal *acceptance by the Federal Government of responsibility* for insuring jobs at decent pay to all those able to work regardless of whether or not they can pass a means test.

2. The preparation of *plans and programs*, in addition to those recommended under Public Works (II–B–3), for all kinds of *socially useful work* other than construction, arranged according to the variety of abilities and location of persons seeking employment.

3. *Expansion of the functions of the Employment Service*, strengthening its personnel to the end that it may operate as the key mechanism in referring unemployed workers to jobs, whether public or private.

4. *Establishment of a permanent "Work Administration"* under an appropriate Federal agency to administer the provision of jobs of socially desirable work for the otherwise unemployed.

C. PLANS FOR SOCIAL SECURITY

We recommend—

1. *Development of programs for security and public aid* for inclusive protection against fear of old age, want, dependency, sickness, unemployment, and accident. The steps which are immediately called for include—

(*a*) Enactment of permanent and temporary *disability insurance.*

(*b*) Extension of coverage of *old-age and survivors insurance* and continuing efforts to provide more adequate minimum benefits.

(*c*) Reorganization of the *unemployment compensation* laws to provide broadened coverage, more nearly adequate payments, incorporating benefits to dependents, payments of benefits for at least 26 weeks, and replacement of present Federal-State system by a wholly Federal administrative organization and a single national fund.

(*d*) Creation of an adequate *general public assistance* system through Federal financial aid for general relief available to the States on an equalizing basis and accompanied by Federal standards.

(*e*) Strengthening of the *special public assistance* programs to provide more adequately for those in need, and a redistribution of Federal aid to correspond to differences in needs and financial capacity among the States.

(*f*) Adequate measures to insure the security of those serving in the *Armed Forces and their families.*

This recommendation is based on the Board's report "Security, Work, and Relief Policies," *digested in the pamphlet* "After the War—Toward Security."

IV. PLANS FOR ACTION BY STATE AND LOCAL GOVERNMENTS AND REGIONS

We recommend—

1. That governmental *planning programs be decentralized*, as far as administratively practical to the States, counties, cities and appropriate regional agencies. Only in this way can we keep our postwar planning and action programs close to the people.

(*a*) *Regional development.*—It is of utmost importance in the interest of national growth and prosperity that the development of the several regions of the United States (including Alaska and Puerto Rico) should be encouraged in every practicable manner. Some specific ways and means of accomplishing this purpose have been set forth in various reports by the National Resources Planning Board, notably in the recent memorandums upon the Southeast, Northwest, and Arkansas Valley regions.

In order to carry out the foregoing purpose of regional development in the national framework the National Resources Planning Board urges that the several regions take such steps as may be necessary, in such form as may be appropriate to the particular region, and with such Federal participation as may be desirable in the particular region. Forms of regional organization, methods of financing, and types of planning will naturally vary from region to region, but it is essential that the development of each region proceed in ways conducive to the welfare of its people and consistent with the balanced advancement of the Nation as a whole.

In view of the present emergency arising from a changing of a peacetime economy to a wartime basis and the necessity of reorganizing again on a peacetime basis, the National Resources Planning Board recommends that the several regional programs varying with the needs of the regions now center around the stabilization of employment and investment in the postwar period.

The National Resources Planning Board further recommends that every effort be made to coordinate the numerous decentralized field services of the various agencies to the Federal Government in order to render them capable of dealing most effectively with the problems of the regional economy and regional life. The objective might well be to achieve such a distribution of the services of government that each American, irrespective of where he happens to live and work, will share as fully as is possible the fruits, the opportunities, and the promises of our national resources and our democratic system of government. To this end it is recommended that, in line with an earlier recommendation of the National Resources Planning Board, the various departments and agencies of the Federal Government, through the establishment of uniform regions as nearly as possible, and closer interrelationships in the field which may be achieved by common regional centers, devote their resources to a more concerted attack on the chronic and acute problems of each region of the United States, and that in the strategy for dealing with these problems on a regional scale full account be taken of the potentialities of transportation and power networks for the development of sounder regional bases of subsistence and a more integrated national economy.

(*b*) *State and local.*—To carry out their all-important part of the national postwar readjustment program, we urge that State and local governments take appropriate legislative and administrative action to increase the efficiency of local government and to—

(1) Assist private industry in the conversion of war plants, and the development of new postwar industries;

(2) Readjust war boomtowns to maximum use of their new facilities, eliminating congestion and temporary structures as rapidly as possible, and guiding migration of excess population;

(3) Strengthen employment services to direct demobilized soldiers and warworkers to new jobs;

(4) Expand education, health, and welfare services (with appropriate safeguards) to meet the problems of the postwar transition period;

(5) Establish, where they do not exist, and adequately finance planning agencies to provide plans for postwar readjustments and for the development of unused resources;

(6) Prepare carefully planned programs, engineering plans, and specifications for needed postwar public works;

(7) Undertake large-scale urban redevelopment, passing necessary legislation enabling the acquisition of large blocks of land for this purpose;

(8) Construct improved highway, air, and terminal facilities;

(9) Facilitate the construction of needed new housing and the elimination of slums and substandard dwellings; institute land conservation and improvement measures; and

(10) Build up fiscal reserves for postwar work through increased taxation and debt liquidation during the war period.

Progress on planning in regions, States, and localities is reviewed in part II of this report.

MESSAGE TO THE CONGRESS ON THE STATE OF THE UNION, JANUARY 11, 1944—FRANKLIN D. ROOSEVELT

To the Congress:

This Nation in the past two years has become an active partner in the world's greatest war against human slavery.

We have joined with like-minded people in order to defend ourselves in a world that has been gravely threatened with gangster rule.

But I do not think that any of us Americans can be content with mere survival. Sacrifices that we and our allies are making impose upon us all a sacred obligation to see to it that out of this war we and our children will gain something better than mere survival.

We are united in determination that this war shall not be followed by another iterim which leads to new disaster—that we shall not repeat the tragic errors of ostrich isolationism—that we shall not repeat the excesses of the wild twenties when this Nation went for a joy ride on a roller coaster which ended in a tragic crash.

When Mr. Hull went to Moscow in October, and when I went to Cairo and Teheran in November, we know that we were in agreement with our allies in our common determination to fight and win this war. But there were many vital questions concerning the future peace, and they were discussed in an atmosphere of complete candor and harmony.

In the last war such discussions, such meetings, did not even begin until the shooting had stopped and the delegates began to assemble at the peace table. There had been no previous opportunities for man-to-man discussions which lead to meetings of minds. The result was a peace which was not a peace.

That was a mistake which we are not repeating in this war.

And right here I want to address a word or two to some suspicious souls who are fearful that Mr. Hull or I have made "commitments" for the future which might pledge this Nation to secret treaties, or to enacting the role of Santa Claus.

To such suspicious souls—using a polite terminology—I wish to say that Mr. Churchill, and Marshal Stalin, and Generalissimo Chiang Kai-shek are all thoroughly conversant with the provisions of our Constitution. And so is Mr. Hull. And so am I.

Of course we made some commitments. We most certainly committed ourselves to very large and very specific military plans which require the use of all Allied forces to bring about the defeat of our enemies at the earliest possible time.

But there were no secret treaties or political or financial commitments.

The one supreme objective for the future, which we discussed for each Nation individually, and for all the United Nations, can be summed up in one word: Security.

And that means not only physical security which provides safety from attacks by aggressors. It means also economic security, social security, moral security—in a family of Nations.

In the plain down-to-earth talks that I had with the Generalissimo and Marshal Stalin and Prime Minister Churchill, it was abundantly clear that they are all most deeply interested in the resumption of peaceful progress by their own peoples—progress toward a better life. All our allies want freedom to develop their lands and resources, to build up industry, to increase education and individual opportunity, and to raise standards of living.

All our allies have learned by bitter experience that real development will not be possible if they are to be diverted from their purpose by repeated wars—or even threats of war.

China and Russia are truly united with Britain and America in recognition of this essential fact:

The best interests of each Nation, large and small, demand that all freedom-loving Nations shall join together in a just and durable system of peace. In the present world situation, evidenced by the actions of Germany, Italy, and Japan, unquestioned military control over disturbers of the peace is as necessary among Nations as it is among citizens in a community. And an equally basic essential to peace is a decent standard of living for all individual men and women and children in all Nations. Freedom from fear is eternally linked with freedom from want.

There are people who burrow through our Nation like unseeing moles, and attempt to spread the suspicion that if other Nations are encouraged to raise their standards of living, our own American standard of living must of necessity be depressed.

The fact is the very contrary. It has been shown time and again that if the standard of living of any country goes up, so does its purchasing power—and that such a rise encourages a better standard of living in neighboring countries with whom it trades. That is just plain common sense—and it is the kind of plain common sense that provided the basis for our discussions at Moscow, Cairo, and Teheran.

Returning from my journeyings, I must confess to a sense of "letdown" when I found many evidences of faulty perspective here in Washington. The faulty perspective consits in overemphasizing lesser problems and thereby underemphasizing the first and greatest problem.

The overwhelming majority of our people have met the demands of this war with magnificent courage and understanding. They have accepted inconveniences; they have accepted hardships; they have accepted tragic sacrifices. And they are ready and eager to make whatever further contributions are needed to win the war as quickly as possible—if only they are given the chance to know what is required of them.

However, while the majority goes on about its great work without complaint, a noisy minority maintains an uproar of demands for special favors for special groups. There are pests who swarm through the lobbies of the Congress and the cocktail bars of Washington, representing these special groups as opposed to the basic interests of the Nation as a whole. They have come to look upon the war primarily as a chance to make profits for themselves at the expense of their neighbors—profits in money or in terms of political or social preferment.

Such selfish agitation can be highly dangerous in wartime. It creates confusion. It damages morale. It hampers our national effort. It muddies the waters and therefore prolongs the war.

If we analyze American history impartially, we cannot escape the fact that in our past we have not always forgotten individual and selfish and partisan interests in time of war—we have not always been united in purpose and direction. We cannot overlook the serious dissensions and the lack of unity in our war of the Revolution, in our War of 1812, or in our War Between the States, when the survival of the Union itself was at stake.

In the first World War we came closer to national unity than in any previous war. But that war lasted only a year and a half, and increasing signs of disunity began to appear during the final months of the conflict.

In this war, we have been compelled to learn how interdependent upon each other are all groups and sections of the population of America.

Increased food costs, for example, will bring new demands for wage increases from all war workers, which will in turn raise all prices of all things including those things which the farmers themselves have to buy. Increased wages or prices will each in turn produce the same results. They all have a particularly disastrous result on all fixed income groups.

And I hope you will remember that all of us in this Government represent the fixed income group just as much as we represent business owners, workers, and farmers. This group of fixed-income people includes: teachers, clergy, policemen, firemen, widows and minors on fixed incomes, wives and dependents of our soldiers and sailors, and old-age pensioners. They and their families add up to one-quarter of our one hundred and thirty million people. They have few or no high pressure representatives at the Capitol. In a period of gross inflation they would be the worst sufferers.

If ever there was a time to subordinate individual or group selfishness to the national good, that time is now. Disunity at home—bickerings, self-seeking partisanship, stoppages of work, inflation, business as usual, politics as usual, luxury as usual—these are the influences which can undermine the morale of the brave men ready to die at the front for us here.

Those who are doing most of the complaining are not deliberately striving to sabotage the national war effort. They are laboring under the delusion that the time is past when we must make prodigious sacrifices—that the war is already won and we can begin to slacken off. But the dangerous folly of that point of view can be measured by the distance that separates our troops from their ultimate objectives in Berlin and Tokyo—and by the sum of all the perils that lie along the way.

Overconfidence and complacency are among our deadliest enemies. Last spring—after notable victories at Stalingrad and in Tunisia and against the U-boats on the high seas—overconfidence became so pronounced that war production fell off. In two months, June and July, 1943, more than a thousand airplanes that could have been made and should have been made were not made. Those who failed to make them were not on strike. They were merely saying, "The war's in the bag—so let's relax."

That attitude on the part of anyone—Government or management or labor—can lengthen this war. It can kill American boys.

Let us remember the lessons of 1918. In the summer of that year the tide turned in favor of the allies. But this Government did not relax. In fact, our national effort was stepped up. In August, 1918, the draft age limits were broadened from 21–31 to 18–45. The President called for "force to the utmost," and his call was heeded. And in November, only three months later, Germany surrendered.

That is the way to fight and win a war—all out—and not with half-an-eye on the battlefronts abroad and the other eye-and-a-half on personal, selfish, or political interests here at home.

Therefore, in order to concentrate all our energies and resources on winning the war, and to maintain a fair and stable economy at home, I recommend that the Congress adopt:

(1) A realistic tax law—which will tax all unreasonable profits, both individual and corporate, and reduce the ultimate cost of the war to our sons and daughters. The tax bill now under consideration by the Congress does not begin to meet this test.

(2) A continuation of the law for the renegotiation of war contracts—which will prevent exorbitant profits and assure fair prices to the Government. For two long years I have pleaded with the Congress to take undue profits out of war.

(3) A cost of food law—which will enable the Government (a) to place a reasonable floor under the prices the farmer may expect for his production; and (b) to place a ceiling on the prices a consumer will have to pay for the food he buys. This should apply to necessities only; and will require public funds to carry out. It will cost in appropriations about one percent of the present annual cost of the war.

(4) Early reenactment of the stabilization statute of October 1942. This expires June 30, 1944, and if it is not extended well in advance, the country might just as well expect price chaos by summer.

We cannot have stabilization by wishful thinking. We must take positive action to maintain the integrity of the American dollar.

(5) A national service law—which, for the duration of the war, will prevent strikes, and, with certain appropriate exceptions, will make available for war production or for any other essential services every able-bodied adult in this Nation.

These five measures together form a just and equitable whole. I would not recommend a national service law unless the other laws were passed to keep down the cost of living, to share equitably the burdens of taxation, to hold the stabilization line, and to prevent undue profits.

The Federal Government already has the basic power to draft capital and property of all kinds for war purposes on a basis of just compensation.

As you know, I have for three years hesitated to recommend a national service act. Today, however, I am convinced of its necessity. Although I believe that we and our allies can win the war without such a measure, I am certain that nothing less than total mobilization of all our resources of manpower and capital will guarantee an earlier victory, and reduce the toll of suffering and sorrow and blood.

I have received a joint recommendation for this law from the heads of the War Department, the Navy Department, and the Maritime Commission. These are the men who bear responsibility for the procurement of the necessary arms and equipment, and for the successful prosecution of the war in the field. They say:

> When the very life of the Nation is in peril the responsibility for service is common to all men and women. In such a time there can be no discrimination between the men and women who are assigned by the Government to its defense at the battlefront and the men and women assigned to producing the vital materials essential to successful military operations. A prompt enactment of a National Service Law would be merely an expression of the universality of this responsibility.

I believe the country will agree that those statements are the solemn truth.

National service is the most democratic way to wage a war. Like selective service for the armed forces, it rests on the obligation of each citizen to serve his Nation to his utmost where he is best qualified.

It does not mean reduction in wages. It does not mean loss of retirement and seniority rights and benefits. It does not mean that any substantial numbers of war workers will be disturbed in their present jobs. Let these facts be wholly clear.

Experience in other democratic Nations at war—Britain, Canada, Australia, and New Zealand—has shown that the very existence of national service makes unnecessary the widespread use of compulsory power. National service has proven to be a unifying moral force—based on an equal and comprehensive legal obligation of all people in a Nation at war.

There are millions of American men and women who are not in this war at all. It is not because they do not want to be in it. But they want to know where they can best do their share. National service provides that direction. It will be a means by which every man and woman can find that inner satisfaction which comes from making the fullest possible contribution to victory.

I know that all civilian war workers will be glad to be able to say many years hence to their grandchildren: "Yes, I, too, was in service in the great war. I was on duty in an airplane factory, and I helped make hundreds of fighting planes. The Government told me that in doing that I was performing my most useful work in the service of my country."

It is argued that we have passed the stage in the war where national service is necessary. But our soldiers and sailors know that this is not true. We are going forward on a long, rough road—and, in all journeys, the last miles are the hardest. And it is for that final effort—for the total defeat of our enemies—that we must mobilize our total resources. The national war program calls for the employment of more people in 1944 than in 1943.

It is my conviction that the American people will welcome this win-the-war measure which is based on the eternally just principle of "fair for one, fair for all."

It will give our people at home the assurance that they are standing four-square behind our soldiers and sailors. And it will give our enemies demoralizing assurance that we mean business—that we, 130,000,000 Americans, are on the march to Rome, Berlin, and Tokyo.

I hope that the Congress will recognize that, although this is a political year, national service is an issue which transcends politics. Great power must be used for great purposes.

As to the machinery for this measure, the Congress itself should determine its nature—but it should be wholly nonpartisan in its make-up.

Our armed forces are valiantly fulfilling their responsibilities to our country and our people. Now the Congress faces the responsibility for taking those measures which are essential to national security in this the most decisive phase of the Nation's greatest war.

Several alleged reasons have prevented the enactment of legislation which would preserve for our soldiers and sailors and marines the fundamental prerogative of citizenship—the right to vote. No amount of legalistic argument can becloud this issue in the eyes of these ten million American citizens. Surely the signers of the Constitution did not intend a document which, even in wartime, would be construed to take away the franchise of any of those who are fighting to preserve the Constitution itself.

Our soldiers and sailors and marines know that the overwhelming majority of them will be deprived of the opportunity to vote, if the voting machinery is left exclusively to the States under existing State laws—and that there is no likelihood of these laws being changed in time to enable them to vote at the next election. The Army and Navy have reported that it will be impossible effectively to administer forty-eight different soldier-voting laws. It is the duty of the Congress to remove this unjustifiable discrimination against the men and women in our armed forces—and to do it as quickly as possible.

It is our duty now to begin to lay the plans and determine the strategy for the winning of a lasting peace and the establishment of an American standard of living higher than ever before known. We cannot be content, no matter how high that general standard of living may be, if some fraction of our people—whether it be one-third or one-fifth or one-tenth—is ill-fed, ill-clothed, ill-housed, and insecure.

This Republic had its beginning, and grew to its present strength, under the protection of certain inalienable political rights—among them the right of free speech, free press, free worship, trial by jury, freedom from unreasonable searches and seizures. They were our rights to life and liberty.

As our Nation has grown in size and stature, however—as our industrial economy expanded—these political rights proved inadequate to assure us equality in the pursuit of happiness.

We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence. "Necessitous men are not free men." People who are hungry and out of a job are the stuff of which dictatorships are made.

In our day these economic truths have become accepted as self-evident. We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all—regardless of station, race, or creed.

Among these are:

The right to a useful and remunerative job in the industries or shops or farms or mines of the Nation;

The right to earn enough to provide adequate food and clothing and recreation;

The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;

The right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;

The right of every family to a decent home;

The right to adequate medical care and the opportunity to achieve and enjoy good health;

The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment;

The right to a good education.

All of these rights spell security. And after this war is won we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being.

America's own rightful place in the world depends in large part upon how fully these and similar rights have been carried into practice for our citizens. For unless there is security here at home there cannot be lasting peace in the world.

One of the great American industrialists of our day—a man who has rendered yeoman service to his country in this crisis—recently emphasized the grave dangers of "rightist reaction" in this Nation. All clear-thinking businessmen share his concern. Indeed, if such reaction should develop—if history were to repeat itself and we were to return to the so-called "normalcy" of the 1920's—then it is certain that even though we shall have conquered our enemies on the battlefields abroad, we shall have yielded to the spirit of Fascism here at home.

I ask the Congress to explore the means for implementing this economic bill of rights—for it is definitely the responsibility of the Congress so to do. Many of these problems are already before committees of the Congress in the form of proposed legislation. I shall from time to time communicate with the Congress with respect to these and further proposals. In the event that no adequate program of progress is evolved, I am certain that the Nation will be conscious of the fact.

Our fighting men abroad—and their families at home—expect such a program and have the right to insist upon it. It is to their demands that this Government should pay heed rather than to the whining demands of selfish pressure groups who seek to feather their nests while young Americans are dying.

The foreign policy that we have been following—the policy that guided us at Moscow, Cairo, and Teheran—is based on the common sense principle which was best expressed by Benjamin Franklin on July 4, 1776: "We must all hang together, or assuredly we shall all hang separately."

I have often said that there are no two fronts for America in this war. There is only one front. There is one line of unity which extends from the hearts of the people at home to the men of our attacking forces in our farthest outposts. When we speak of our total effort, we speak of the factory and the field, and the mine as well as of the battleground—we speak of the soldier and the civilian, the citizen and his Government.

Each and every one of us has a solemn obligation under God to serve this Nation in its most critical hour—to keep this Nation great—to make this Nation greater in a better world.

[From S. Rept. 539, pt. 4, 78th Cong., 2d sess.]

POSTWAR ECONOMIC POLICY AND PLANNING

REPORT OF THE U.S. CONGRESS, SENATE, SPECIAL COMMITTEE ON POST-WAR ECONOMIC POLICY AND PLANNING, PURSUANT TO SENATE RESOLUTION 102, A RESOLUTION CREATING A SPECIAL COMMITTEE ON POSTWAR ECONOMIC POLICY AND PLANNING

THE PROBLEM OF POSTWAR EMPLOYMENT AND THE ROLE OF CONGRESS IN SOLVING IT

This committee has been engaged in a study of the problem of unemployment during and following the transition from war to peace. In addition to hearing many witnesses, the work of a number of research agencies and economists has been carefully considered. Some of the aids to full employment which can be supplied by the Government have been studied in detail.[1] The others have been studied only in broad outline and are so dealt with in this respect. Detailed studies are in progress or will be made as to those dealt with in broad outline and they will be dealt with in more detail in later reports.

The problem of employment is such an integral part of the entire business structure that it cannot be separated, in the committee's thinking, from the other factors that cause a healthy economy. The American private economy is going to have to provide the jobs and the committee feels that everything which can help to do this is just as important to labor as it is to business.

While all of the problems dealt with in this report are interrelated, it is legislatively impossible to deal with all of them at the same time. Legislation on each of the subjects should be prepared just as soon as adequate studies can be completed.

THE PROBABLE LABOR FORCE

A discussion of the magnitude of the problem of reemployment is primarily important to show the vital necessity of establishing wise policies to deal with it. Estimates of its magnitude necessarily are based upon certain assumptions that may be inaccurate to the extent that the final figure may fluctuate by as much as 2,000,000.

Estimates as to the total number of people employed and available for employment today, including the armed forces, vary from 61½ to 63 million. There is no real difference in these figures, as they reflect seasonal changes, so that the larger figure may be taken as the total number of people ready, willing, and able to work.

Estimates of the number that likely will withdraw from the labor force, including those who will return to school or college, those who will retire because of old age or because, like many women, they would not have been in the labor force but for the war, range from 4 to 5 million. The higher figure is more likely to be correct. On the other hand, it must be remembered that additions to the labor force are normally around 750,000 a year.

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[1] S. Rept. 539, pt. 2, 78th Cong., 2d sess.

In order to fix a terminal point for calculating the labor force, certain assumptions as to time must be made. Those assumptions may or may not be correct and a difference of 1 year in them would make a difference of 750,000 people.

If it be assumed that the war in Europe will end this year; that the war in Asia will continue for a year thereafter; and that a year and a half will be consumed in demobilizing the armed forces to their post-war strength—estimated at from 2 to 3 million—there will be between 57 and 58 million people in the post-war civilian labor market.

The highest employment this country ever reached prior to 1941 was approximately 46 million people. This figure includes everyone gainfully employed. It was reached only 3 times—in 1929, 1937, and 1940.

It should be borne in mind that full employment does not and cannot mean that everyone willing and able to work is gainfully employed at all times. A certain percentage of the entire labor force is always out of work due to illness, the shifting of jobs, seasonal slack in some industries. The amount of this normal so-called frictional unemployment is variously estimated at from 2 to 3 million people. In 1929, there were no official figures on unemployment but estimates of the average number unemployed in that year range from 1.8 million to 3.5 million. Today, with a manpower shortage, approximately 1 million are unemployed, and this seems to be the irreducible minimum.

After making allowance for this frictional unemployment, in order to attain full employment in the post-transition period, jobs must be found for somewhere between 54 and 56 million people.

Estimates as to the size of the working force during any stage of the transition period are more difficult. That figure will depend on factors that hardly can be foreseen and to a large extent will depend on the intelligence with which the reductions in war production are planned and put into effect.

Today approximately 50,000,000 people are employed, outside the armed forces. Overtime work is estimated to be equivalent to the work of an additional 5,000,000 people.

It would take approximately the estimated post-war labor force, without overtime, to maintain present production schedules.

This does not mean that the present manufacturing production must be maintained, but it will be necessary to maintain a total national production greatly above any ever attained in peacetime. The service and construction industries and the professions have given up more than 5,000,000 people, either to the armed services or to the production industries, and it may be assumed that these people will not have to be cared for in the production industries. Neither will the manufacturing industries have to take up all of the remainder of the additional labor force. In addition to those they have lost due to war dislocations, the service industries will be called upon to expand proportionately to meet normal peacetime needs with expanded production.

The present unprecedented agricultural production has been achieved with fewer agricultural workers than were employed in 1940.[2] Due to technological developments, agricultural production per worker averaged 25 percent greater in the years 1940–43 than in 1935–39 and 67 percent greater than in 1910–14. There appears little likelihood of a need for an increase in the number of agricultural workers in the immediate post-war period. There is much difference of opinion as to whether this will be true in the longer range future.

If the assumption that the war will end in two stages, with a year's interval between the defeat of Germany and the defeat of Japan is correct, the problem of demobilization will be simplified.

Approximately 2½ million men will be released from the ground forces during that year, at the rate of from 200,000 to 250,000 per month. Munitions production will be cut from 30 to 50 percent. As a result of these cut-backs in war production, a large number of workers will leave the munitions industries. Estimates of the number range from 4 to 5 million. These people may be thrown onto the labor market more precipitously than the returning soldiers.

Some of those now in the labor market will return to school and some of them will withdraw permanently from the labor market. The pent-up demands for civilian goods should absorb those that are left. This statement gives consideration to the fact that some time will be required in many industries to resume civilian production, but the release of the returning soldiers and war workers will be more or less gradual and the industries which have no conversion problems should be able to absorb the first of them.

From April 1940 to November 1943, manufacturing employment in 335 counties in the United States increased 7,019,000, or 89 percent. In the remaining 2,765 counties in the United States, it decreased 1,118,000, or 41 percent. Included in those war-boom areas are approximately 1,700,000 workers in shipyards and 1,300,000 workers in the aircraft industry.

The first 6 months following final victory will see the greatest accession to the civilian labor market. Beyond doubt this will be the most critical portion of the transition period.

The armed forces will be demobilized at a rate of from 500,000 to 600,000 per month. All war production will cease. Most of the workers in the munitions industries will be released during that period.

The airplane plants and shipyards will operate little, if at all. The automobile plants will be in process of conversion. The forces that created the war-boom areas will terminate. The available jobs in those areas will not provide for the workers in them. This inevitably will leave large "pools" of unemployed in war-boom areas, regardless of the over-all national employment situation.

On the other side of the picture, it is likely that most of the retirements from the labor market will come during this period and that a large number of the returning soldiers will go back to school.

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[2] The Department of Agriculture estimates 332,000 less.

During the succeeding year the accessions to the total labor force will come largely from discharged soldiers. Of necessity this discharge must be gradual, due to transportation limitations. By the beginning of that year the factory conversion job should largely be accomplished.

FULL EMPLOYMENT MUST BE OUR GOAL

This country never has had and never will have real prosperity without full employment. A man vainly seeking a job is not a potential customer for the products of American farms and factories. Multiply that man many times and the combined loss of purchasing power starts a downward spiral of production, which in turn causes more unemployment and more loss of potential purchasing power. Government war expenditures of nearly a hundred billion dollars a year clearly demonstrate what mass purchasing power can do for American business. When that expenditure is stopped, civilian expenditures must take the place of a very large part of it if this country is to be prosperous.

Normal technological developments will mean greater productivity per man-hour than was attained in 1940. Add to this the eight to ten million more workers than were employed in 1940. The answer to the full employment problem can be only one thing—a much greater gross national production than this country has ever produced in peacetime.

Such a production cannot be attained or maintained without purchasing power sufficient to absorb it.

One school of thought approaches the problem with the proposition that if business is profitable, the jobs, and consequently the purchasing power, will be provided. Another school of thought approaches it from the viewpoint that if there is full employment at adequate wages business is bound to be profitable. The two approaches are merely different ways of stating the same thing and accent the interdependence of full production and full employment. The most purchasing power necessary to maintain a healthy mass production must come from the American people in purchases of consumer and capital goods. If it does not come from them, mass production cannot be maintained except through subsidized exports and governmentally supported public-works programs. Either of the latter tends to impose a heavier tax burden which in turn takes away incentive to production and provides a far less healthy economy than is provided by mass purchasing power resulting from full employment by private enterprise. The whole problem of full production and full employment is and must be a circle. It has no beginning and no ending. If either declines, the circle merely contracts.

Employment of 8 to 10 million more people than have ever before been employed in America and absorption thereafter of approximately three-quarters of a million people annually into the labor force must be America's goal. It presents a challenge almost as grave as the challenge of the war.

THE GOVERNMENT'S ROLE IN SOLVING THE PROBLEM

The severity of the transition period and the ability of industry following that period to absorb 8 to 10 million more workers than it has ever absorbed before will depend very largely on governmental policy, and this committee is primarily concerned with the shaping of that policy.

Most important is what one witness referred to as "economic environment."[3] It might equally well be called confidence. In one of the ablest commentaries that has been presented to the committee,[4] it is said:

> * * * this generalization that people are largely actuated by habit is useful in connection with prophecy regarding the future effects of the great changes which the last 15 years, and the war, have brought in the financial world. Beginning with the stock-market crash of 1929 and the failure of the Bank of the United States, continuing with the institution of the Federal Deposit Insurance Corporation and the Securities and Exchange Commission, the rise in the public debt and in rates of taxation, including the abrogation of the gold clauses, the silver-purchase experiments, the devaluation of the dollar, and many other happenings that readily come to mind, the circumstances within which financial and investment processes are carried on have been subject to a long-continued series of rapid and fundamental changes. That is, the environment within which financial decisions have been made has been subject not only to alterations of a fundamental and far-reaching character but—more important—to a rate of change so rapid as to be almost revolutionary in character.
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> * * * Business can adapt itself to and can function effectively under almost any set of conditions—provided these conditions are not changed too often. For a rate of change too rapid to permit adjustment breeds confusion, confusion begets distrust, and distrust produces a kind of creeping paralysis throughout business and economic activity. * * * If 10 years are necessary in order that the capital laid out in an investment be recovered, and if it is suspected that conditions during the 10 years will change so rapidly that the capital invested cannot be recovered, the investor—or the business executive—evidently will not make the investment.
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> Furthermore, many of these changes have been of such a character as to carry the suggestion of public disapproval of many of the beliefs, activities, and principles of numerous businessmen. This fact, irrespective of whether the disapproval was deserved or not, has unquestionably been disheartening to many executives, and exercised a restrictive influence on business activity, even though such influence has not been subject to statistical measurement.
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> Thus it might be that one of the policies most stimulating to business, which public officials and business managers could pursue in the post-transition period, would be a reduction of the rate of change and a continuance of established conditions and ways of doing business. For in terms of motives, change too rapid to allow adjustment breeds stagnation; whereas progress is accomplished by a rate of change that permits business practice and mental attitudes to adapt themselves to it.

Without a proper "economic environment", without confidence in the friendly attitude of government, without reasonable certainty that a minimum number of simple "rules of the game" will not be changed except upon great provocation, without relief from an increasing number of departmental "directives"—many of them conflicting—without a certainty that the Congress will delegate the absolute minimum of its powers and those under well-defined conditions, without assurance that legislation and administration will not dis-

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[3] Robert R. Nathan.

[4] Charles Cortez Abbott, "Forces Influencing Investment in Business Enterprise After the Transition Period."

criminate in favor of any segment of the economy, without a well-defined fiscal policy, business will not be willing to go forward and expand. It will not be willing to spend its reserves for new facilities. It will not be able to secure new equity capital. The investor will continue to seek the lesser profits of security rather than the greater gains of risk. Ownership will not be attractive. Savings that should spark the expansion of private enterprise will be hoarded and become valueless in increasing and absorbing American production.

Confidence on the part of the consuming public is equally important. A consumer who is fearful of his economic future will live from hand to mouth, with a possible "rainy day" uppermost in his mind. He is a customer of American business only to the minimum degree necessary to keep body and soul together. He offers no outlet for new automobiles and refrigerators and radios and the myriad luxuries that should arise from the technological advancements of this war.

It therefore seems fundamental that the first consideration in the shaping of governmental policies should be to inspire confidence on the part of management, the investor, the employee, and the consumer.

THE ROLE OF CONGRESS

The committee feels that the following demand the attention of Congress if an intolerable unemployment situation is to be avoided:

(1) *Office of Demobilization.*[5]—A directing, coordinating agency should be set up at once to direct and coordinate the activities of all Government agencies dealing with the demobilization problem. The problems of contract termination, property disposal, manpower disposition, employment, the integration of cut-backs in war production with increases in civilian production, the selection of contracts to be canceled in relation to the labor situation in a given area, the planning and integration of programs for post-war utilization of war plants, the provision of storage facilities for termination inventories, the availability of inventories and machinery necessary for resumption of civilian production, and innumerable other problems are so important that such an agency must be set up to coordinate and give direction to the making of plans for their handling. The committee feels that it is unimportant whether it is set up in the Office of Mobilization or as a separate office, so long as the definite responsibility for seeing that the necessary work is done in a coordinated and competent manner rests upon one man.

(2) *Termination of war contracts and clearing of war plants.*[6]—Large-scale unemployment can and probably will result from any failure to accord war contractors whose contracts are terminated a fair and speedy settlement and prompt payment and promptly to clear their plants of machinery and Government inventories so that their reconversion job can go forward. S. 1718, which sets up the machinery for this purpose, has already passed the Senate. That bill clears the legislative obstacles, but the contracting agencies must at all times be keenly aware of the relationship between a speedy job of contract settlement, employment, and proper protection of the public interest.

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[5] S. Rept. 539, pt. 2, 78th Cong., 2d sess.
[6] See S. 1718.

(3) *Surplus war property.*—The property and the plants in the hands of the Government, if not marketed wisely, will constitute a threat to markets that can seriously hinder both production and employment.

This Committee has made an extensive study of this subject[7] and a number of bills dealing with it are now before the Congress. Every effort should be made to secure proper legislation on the subject without delay.

(4) *Unemployment compensation.*—This Committee has just concluded extensive hearings on this subject and has heard many witnesses from business, labor, and agriculture and representatives of the Social Security Board and State unemployment compensation agencies. In a short time is study of that testimony will be complete and a full report on the problem will be ready in the near future.

(5) *Construction projects*[8]—All necessary steps must be taken to make certain that materials needed for private construction, repair, and maintenance are available immediately upon the cessation of hostilities. Unless there can be proper conversion of plants between the defeat of Germany and the defeat of Japan for the manufacture of materials necessary to the start of a private housing and industrial construction program, the cushion that such a program would provide during the most difficult transition period can well be lost.

The extent to which the Federal Government is to participate in highway construction should be determined. The States have the major responsibility for the building of highways, but those that are merely planned give employment to no one. The whole program of financing highways should be made perfectly clear so that the States can proceed to obtain rights-of-way and prepare contracts in order that work can start when it is most vitally needed. Repair and replacement of highways can be of major help in providing employment during the transition period.

Careful consideration should also be given to the preparation of a portfolio of useful public works that can be started quickly and terminated quickly, to be held as a reserve, and to be utilized only when necessary. In order to avoid Government works projects merely for the purpose of providing work—to which everyone, apparently is opposed—useful public works projects, in the field of road building, reclamation, irrigation, flood control, and probably many other fields are thoroughly justified. The smaller the individual project, within reasonable bounds, the better, as it is the small project that can be started quickly and terminated quickly when the need for it, as a prop to employment, is passed.

The Congress should also determine to what extent, if any, it expects to subsidize public works projects by States and their political subdivisions. The fiscal position of the States has improved to such an extent in recent years that there probably is neither reason nor justification for Federal subsidies to the States for public works. However, many local governments have public-works projects in the blueprint stage and they may not be in the same happy financial condition. Until they know whether the Federal Government is going to participate in the cost of these projects, they are hindered in going ahead with their financing plans. They should know what the situation is to be in this respect so that, if necessary, they can go ahead with their own financing.

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[7] S. Rept. 539, pt. 2, 78th Cong., 1st sess.

[8] Now under study.

Careful consideration might well be given to loans to States and their political subdivisions for architectural and engineering fees and other things preliminary to the preparation of their projects, pending their financing.

(6) *Residential construction.*—Any action that will stimulate residential construction will at the same time stimulate employment. This committee is studying the whole housing situation with a view to determining the possible housing needs in post-war years and with a view to framing legislation to stimulate those needs.

(7) *Migration and retraining of workers.*—Because of the concentration of workers in the 335 war-boom counties in the United States, these areas can present a most serious problem. Certainly, as production cut-backs are made, they should be made in those areas, rather than in "loose" labor areas, unless there are compelling reasons for doing otherwise, but even if such a program is carried out, the problem of employment in those areas probably will be the most serious that the country faces. It would not be economically sound to institute public-works programs in those areas which do not have a reasonable prospect of providing private employment for all the workers in the area after the reconversion period. In other words, a freezing of an excess-labor situation would help no one. Careful consideration should be given to some form of assistance to enable those workers to move themselves into areas that offer a better opportunity for employment and to secure jobs in those areas. This assistance might be given by loans or grants through the Employment Service. This is a part of the liquidation of war and must be a national responsibility. The question of vocational training should be studied, to determine what is adequate and necessary.

(8) *Price controls and rationing.*[9]—A complete study of the supply situation should be made to determine what price and rationing controls must be continued to assure a proper distribution of scarce materials and to prevent inflation and how long it is absolutely necessary to continue them for those purposes. As war production declines and war contracts are canceled, speedy settlement of claims, adequate interim financing, and prompt plant clearance will be of no assistance in providing employment if materials are not available for the resumption of civilian production. An adequate supply of materials is a greater foe of inflation than any price controls can be.

(9) *The post-war Budget.*[10]—The Congress should carefully study the probable post-war Budget, for the purpose of eliminating all unnecessary expenditures, and to have a yardstick beside which to lay all proposed expenditures and taxes so that an over-all picture can be obtained. Because of interest charges on the national debt and the maintenance of a post-war military establishment larger than we have ever known before in peacetime, the annual Budget certainly will be hugely greater than that of any previous peacetime year. Such a Budget undoubtedly will present an obstacle to both investment and employment, but if the production level is high enough to

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[9] Study on this subject is in progress.
[10] Now under study.

give full employment, it should be easier to carry than any peacetime Budget for a number of years past.

(10) *Refinancing Treasury obligations.*—At the conclusion of hostilities, a large percentage of the smaller War bonds, which represent a huge amount in pent-up savings, are going to be offered the Treasury for redemption. The liability to corporations for the 10-percent postwar credit will have to be satisfied. The refinancing problems of the Treasury during that period will be immense. The financing will not be done in the atmosphere of patriotism in which War bonds are being sold today. Too careful consideration cannot be given to this problem.

(11) *Post-war taxation.*[11]—An immediate study should be made of the problems of post-war taxation with a view to revising the tax structure so as to promote expanding production and consumption. How much can we tax away the purchasing power of the low-income groups, who spend everything they make for consumer goods? What revisions in corporate taxes and surtaxes and in taxes on capital gains must be made to make ownership and equity investment more attractive? What impetus can be given through the tax laws to a greater production and use of producer's goods? There is no difference among students of economics on the proposition that there must be enough new investment to provide an outlet for savings. Idle money cannot be productive money and idle savings do not provide production or jobs. If there is sufficient private expansion to provide new investment outlets equal to savings, any argument for an extraordinary public-works program loses its force. If an adequate outlet for savings is not provided by private investment, the advocates of large public works on a permanent basis are likely to prevail.

A tax program probably will have to be written without knowledge of what the national income will be but if it sufficiently stimulates investment and purchasing power, rates can be drastically lower than today's levels and still produce sufficient income to pay the running expenses of the Government and provide a sinking fund for retirement of the national debt. The Congress must find the proper balance to provide the necessary revenues and still stimulate expanded production and consumption.

(12) *Equity investment.*—Revised taxation is not the only means of stimulating equity investment. It is strongly contended, from many sources, that the Securities and Exchange Act makes equity financing of small businesses practically impossible. That act should be examined with a view to retaining its salutary provisions and eliminating those that make the floating of new small security issues so troublesome and expensive that they are practically prohibited. The study might well be extended to all other practices that are restrictive upon the financing of new equity issues.

(13) *Foreign trade.*—The committee is fully conscious of the importance of foreign trade in the post-war economy. Means of expanding that trade should be explored and given the most careful consideration.

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[11] A number of studies by various organizations are in progress on this subject. They will all be considered by the committee.

(14) *Monopolies and trade barriers.*—Careful consideration should be given to means of effectively preventing any monopolistic practice that has the effect of retarding production or artificially increasing costs or prices. Such practices, whether they be attributable to business, labor, or Government, undoubtedly tend to strangle a free economy. The States should be urged to examine carefully such practices that are beyond the reach of the Federal Government.

A careful study should be made of the legislative distortions of the interstate commerce clause of the Constitution. Subterfuges through which the States have imposed burdens on interstate commerce should be prohibited, and as a corollary the Federal Government should not assert power under that clause which does not properly belong to it. The free flow of commerce must not be hampered by either monopolistic practices or State barriers.

The whole problem of monopoly legislation should be carefully studied and clarified to the end that monopolies can be adequately punished but to the end also that business may know clearly just what is and is not prohibited and may not be harassed by unjustified monopoly prosecutions.

A study should also be made of the scope and effect of taxation of the same movable property by more than one State and the desirability of preventing it, to aid the free flow of commerce.

(15) *Deleglation of congressional power.*—As stated earlier in this report, the vast number of "directives" and regulations of a vast number of Government bureaus contribute much to upsetting the economic environment and the equilibrium of business. There are certain administrative powers that the Congress, of necessity, must delegate, but it should reexamine its delegation of powers, with a view to reclaiming, after the war, all delegations that can possibly be considered legislative. Careful consideration might be given to the creation of a joint committee of the two Houses, equally divided in political membership, and with an adequate technical and legal staff for the purpose of examining delegations of power which have been made and for the purpose of studying regulations of the various bureaus to make certain they are within the delegated powers. It might well be desirable to require every regulation and order to specify the exact statutory authority from which it was derived, to avoid loose assumptions of power Congress never intended to delegate. This would contribute to the maintenance of confidence in the American economy.

(16) *Overlapping functions of Government.*—A careful study should be made of all the governmental bureaus and departments with a view to the elimination of those which do not perform a real and vital function and of the overlapping functions of others. Whatever steps are necessary should be taken to coordinate and unify the activities of all the departments, to be certain they do not pull in different directions.

In its report of February 9, 1944, this committee said:

> The Congress should not overlook the fact that however unavoidable is the delegation of its policy-making powers in time of war, it is quite another thing for Congress to delegate its primary functions to any executive agency in time of peace and it should retain in its hands the settlement of the broad basic problems of the demobilization program out of which the structure of the peace economy will arise. The nature of the economy of this country for many years to come

will depend upon the policies and decisions which are to be followed in the demobilization.

Regional, State, and local considerations have been overlooked of necessity in the mobilization for war, for in war central power is essential. They cannot be overlooked in the reconstruction program for which we are now preparing. The economic life of this Nation must not be permitted to become dependent upon Washington directives for peace as it has been for war.

It reiterates that assertion.

The very size of the Federal tax bill and the Federal Budget makes inevitable a strong impact by the Federal Government upon the lives of our citizens. The industrialization of America has tended to create interstate problems that once did not exist. The liquidation of this war is a national job. These facts impose burdens upon the Federal Government that it must be prepared to assume. The very fact of their assumption tends to make the Central Government too large to be efficient. It follows that it should leave to the States those matters that do not necessarily fall within its orbit. The States must reexamine and reassert those responsibilities.

On the other hand, the citizens, as well as the States and their political subdivisions, must cease to look to Washington for aid on every problem that burdens them. Local authority and local responsibility must go hand in hand.

If the Congress discharges its obligations in the fields set out above, we can well have what Mr. Baruch called "an adventure in prosperity." If it does not survey these fields and reach wise decisions in them, we can well have economic chaos.

Congressional attention to these matters cannot wait. Prompt action on them is of transcendent importance and this committee feels most strongly that no extended congressional recess should be considered pending their disposition. The very destiny of the Nation may depend upon wise and prompt decisions in respect to them.

[From the "American Economic Review," March 1944]

FACTS AND FANTASIES CONCERNING FULL EMPLOYMENT

(By Julius Hirsh)

The most startling fact in the American economy of today is the miracle of our war production. No one, even the most optimistic, was able to foresee the unparalleled performance of American productive ingenuity.

The volume of the war goods and war services we have produced alone has been almost as large as the greatest volume of civilian goods we have ever produced in peacetime. We outproduce the Axis in war production by 200 percent. Yet we are producing 10 or perhaps 15 percent more goods and services for civilian use than in prewar times. (See graph; also Federal Reserve Bulletin, January 1944, p. 1.)

In 1929, the year of our greatest prewar prosperity, we employed 48 million people for approximately the same number of hours per day as we do at the present time.[1] Today, employing only about 10 percent more workers for no more than the same number of hours, we are producing far more than double the total volume of 1929.

The question now is: After this job is done, what will we do with the 9 to 10 million people we have employed through 1943–44 in addition to those employed in 1939? These are the people who have made this greatest production of all times possible. And before all we have to take care of that most precious part of the Nation—the 11 million in the armed services.

There can be no doubt that with our huge productive power we will be able to guarantee a decent living for everyone. But we promise much more; namely, full employment. How can we fulfill that promise knowing full well that each hour's labor will yield so much more than before the war? How can we add to this production miracle the greater one, the consumption miracle?

The Department of Commerce, in its well-known, splendidly written pamphlet, "Markets After the War," argues that if in 1946 we have no more than the same volume of consumption as in 1940, the year which saw the highest prewar consumption in the country's history, we would, mainly owing to the increased productivity, have a total of 19 million unemployed.[2] Therefore, the pamphlet figures tentatively what production ought to be reached if a moderate form of full employment should be attained in 1946. The result is an estimated volume of production 50 percent higher than in 1940 and valued in dollars of today about 74 percent higher than the national product of that year.

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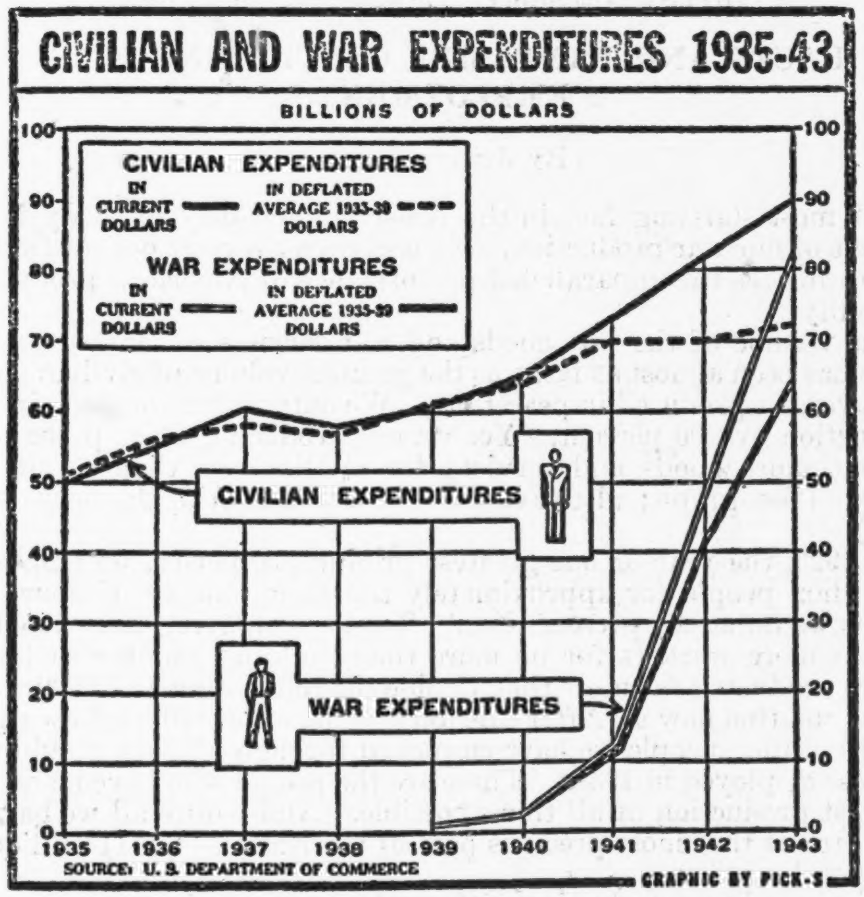
[1] Economic Almanac for 1943–44 (Conference Board), pp. 270–271.

[2] S. Doc. No. 40, 78th Cong., 1st sess., Washington, D.C., 1943. The basic assumptions of this document are identical with the very important pamphlet "Demobilization and Readjustment," report of the Conference on Postwar Readjustment of Civilian and Military Personnel (National Resources Planning Board), June 1943.

THE AMERICAN WAR PRODUCTION MIRACLE



The American war production miracle is that we are outproducing the whole Axis by almost 200 percent in fighting material and at the same time we have increased the volume of civilian production by 12 to 15 percent. The increase in civilian business in 1943 indicates that the final figure for this may exceed the estimated $90 billion by $2 to $3 or even $4 billion.

This graph does not contain the normal expenditure for nonwar administration. If this figure of $12 to $14 billion is added, the "gross national income" for 1943 may pass the $190 billion mark.

Some labor leaders, on the other hand, believe that when the business volume begins to fall off, which is bound to happen very soon, it might not stop at the most favorable rate of our best prewar year, 1941 (or rather, the first half of that year), but might fall below the rate so that 30 million and more unemployed would emerge.

There has been something of a cycle in our postwar thinking during the past year. When Alvin Hansen first spoke of a net national postwar income of $100 billion a year, there was an outcry against this optimism.

The pamphlet, "Markets After the War," while expressly denying that it is a forecast, had the astonishing effect of making a good many businessmen and trade associations accept its figure as a forecast of a net national income of almost $140 billion as the basis of their postwar thinking.

Now, when Mr. Sloane, of General Motors, dared to mention Alvin Hansen's figure which suddenly appeared to be a modest one, not only labor leaders expressed sharp disappointment, but a very high official clearly reproaches the idea that businessmen might make their plans on a basis of "only" $100 billion a year as a kind of "restraint of production." From this we get the impression that it is the plans of businessmen which determine the business cycle. This is certainly extremely flattering for business—but unfortunately it highly overrates what business can do. If business alone could control the business volume, the depression of 1929 would never have happened. Incidentally this high official raises the goal of immediate postwar gross output to $200 billion.

In connection with these optimistic forecasts, we now get the prophecy of a sharp postwar inflation with the wholesale price index rising 200 percent above the levels of 1926, necessitating price controls and even wage controls as well as rationing for some years to come. Yet in the midst of these prophecies, some deflationary trends suddenly become clearly visible, some rationings disappear, scarcities in raw materials become less, and the nightmare of large-scale unemployment after the first replenishment begins to worry many economic minds. The forecast of 10 to 12 million unemployed for 1946, first given in Barron's July 1943, was repeated as a serious possibility by officials of the Labor Department, and exceeded by Leon Henderson who arrives at a total of 16 million.[3]

There is almost complete unanimity as to the aim of avoiding another period of mass despair through mass unemployment, which has indeed proved to be the deepest root for the development of dictatorships and ultimately of war in Europe. Here a wrong guess can lead to dangerous neglect of needed action. To rely on fantasies of a hidden miracle which will bring about full employment, perhaps by the means of a sharp inflation, would entail a dangerous failure if a serious inflation did not occur. On the other hand, the picture of 30 million and more unemployed, if accepted as a probability, would almost immediately entail work creation by the government on the basis of a most rigidly planned economy. The facts and even the forecasts of postwar employment are of vital importance to the life of this generation here and abroad. It is a vital necessity to see the facts as clearly and as free from wishful thinking as possible.

There are evidently two methods of arriving at an estimate for postwar employment figures. The first starts with the assumption that the war only interrupted a prewar development, and that it might be safe to assume that this development basically will be continued after the war. In the opinion of this group, the safest forecast for production, consumption, and investment will be to assume a continuation of the volume and the tendencies prevailing before and during 1939, with due adjustments for economic changes like increased efficiency of labor, the high national debt and strongly increased savings, and for a year or two a large pent-up demand.

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[3] Julius Hirsch, "The Post-War Outlook for Jobs," Barron's Weekly, July 19 and 26, 1943, and "Shall We Fear Inflation—or Deflation?" Barron's, Sept. 6, 1943; John H. G. Pierson, "Employment After the War" (American Federation of Labor, 1943) and "What Chance for Free Enterprise After the War," Free World, April 1943; D. H. Davenport, "Unemployment Immediately After the War," After the War (New York University, January 1944); Leon Henderson and Leo Cherne, "Your Business After the War" (New York: Research Institute of America, October 1943).

The second method starts with the assumption that a qualified full employment will be reached with an employed labor force between 53 million in winter and 55.2 million in summer, 1946; in both cases the figure of 2.5 million men is contained in the total for Armed Forces.[4] Besides this, figures of unemployed are assumed at 6.2 million in summer and 4.2 million in winter. Moreover, the additional assumption is that all the 8.5 million women, older men, and youngsters called to war work will silently return "back to school and kitchen."[5] To bring that about, a gross national output of 50 percent above that of 1940 or 64 percent above that of 1939 is seen to be necessary.

The reasoning of these "moderate optimists" rests on the following:

1. Mainly the hope for an unheard-of increase in domestic consumption and investment in durable goods, foodstuffs, textiles, and other commodities and services.
2. The hope for sharply increased foreign trade through fundamental change in our foreign trade policy, in the long run as well as during the early postwar rehabilitation period.
3. These main points are cushioned by the expectation of an upward trend in the price level as, e.g., outlined by S. H. Slichter, who assumes a postwar price level of about 70 percent above the prewar level, this again strengthened by the expectation of a sharp postwar inflation.
4. The factor of a huge pent-up consumer demand rushing into supply markets immediately after the armistice.
5. The desire for a higher postwar price level to ease the burden of our national debt.

A high price level would certainly ease the national debt. This desire alone cannot bring about a "smaller dollar."

Facts and developments which are clearly visible now convince an undoubtedly growing number of observers that this smooth and ideal procedure will not and even cannot take place.

First, I think that the forecast increase of a normal civilian expenditure for 1946 exceeds by far every probability, even possibility, of which we have any statistical experience or knowledge. Second, I believe that production will again sharply outrun consumption and that the current estimates of postwar employment are completely overoptimistic.

This is decisively strengthened by a third counteracting force; namely, while some inflationary tendencies continue, we now have clearly defined deflationary tendencies as well. After a period of transition which may not continue for long, the deflationary tendencies are bound to become stronger and stronger. Postwar deflation after a rather limited period is much more probable than a lasting inflation.

I expect that in 1945, assuming the European war ends in 1944, the problem of unemployment will be a very serious one, and I expect that from 1946 on, increasing prices will not be our worry in most markets, but decreasing prices, nationally and internationally, which we will try to prevent with all forces at our command, even at the expense of some foreign trade.

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[4] The highest figure of the German standing peacetime army was about 660,000 men; that of the British Navy, including the Reserve, not more than 220,000.

[5] See "Demobilization and Readjustment," pp. 84–85.

The hope is that we will be able to increase our total civilian consumption by 64 percent between 1939 and 1946. This would mean an increase of 9 percent in the volume of our civilian consumption plus investment each year. This assumption exceeds the achievement of every 10-year period from 1900 to 1939. The average yearly increase of national net income which includes net consumption and net investment during the whole period from 1900 to 1939 was about 3.4 percent; from 1910 to 1939 almost exactly 2 percent a year. In the period from 1919 to 1929, which we feel was our period of greatest prosperity, we had, if we eliminate the variations in the price level, an increase of national income of 2.7 percent a year. In the period 1929 to 1938 we had a decrease. And if we take 1929 to 1940, we had a yearly increase of less than 1 percent within 11 years.[6] Under these circumstances, to plan national consumption on the basis of an annual increase two or three times as high as what has been experienced during this whole century—let alone what we experienced since 1929—must be considered as dangerous overoptimism which can only cloud vital economic decisions.

Let us now consider the basic philosophy of "Markets After the War," that "production makes markets." If our economic mechanics were as simple as that, the whole depression following 1929 with its aftermath of 11 years of heavy unemployment would have been a myth.

I agree with the list of reasons for depressions given by Dr. Yntema. What, however, was the main point? The economic collapse of 1929 had its origin primarily in the wonderful development of production in agriculture and industry. This forever removed the consequences of the Malthusian theory; but since that time, except for the war, we are still unable to find the consumption which would immediately meet our rapidly increasing rate of production.

After World War II, we shall find we must come to grips with essentially the same problem; namely, the widened gap between consumption and productivity, but the problem will be immeasurably larger. In 1939 the volume of our production was greater than in 1929, but in spite of all our efforts we were never able to absorb a labor surplus of between 8 to 10 million people in the peacetime period since 1929.

In the above-quoted Barron's articles I tried to show that in a number of business lines either less employment is likely to occur than in 1939 or not considerably more; for example, agriculture. Our agricultural production today is one-third greater than it was in the last 5 prewar years. Yet this production was accomplished with no essential increase in the labor employed and with less efficient labor. Even if the assumption is made that with the end of lend-lease production will be maintained, the continuing trend of mechanization will lower the manpower requirements. Actually there will be a postwar world surplus of agricultural production in a period during which our agricultural prices are pegged in competition against foreign production. I expect, therefore, that after the war agricultural employment will actually decline by as much as 1 million.

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[6] See "Total Income Adjusted by the Cost of Living," Economic Almanac for 1943–44 (Conference Board), p. 361.

Very much the same thing will happen in the field of railway and waterborne transportation, mining, and other industries. After the enormous expansion of manufacturing and mining industries, I cannot expect great additional investment there—but what is needed can be done with less manpower per unit. Expansion of employment can mainly be expected in some durable goods or "replenishment industries," in new industries and, I hope, in construction. These replenishment industries, however, have represented less than 20 percent of our national expenditure budget, while in at least 80 percent of the industries, allowing for some expansion in distribution and services, the best we can hope for is stable employment at prewar levels.[7]

The postwar price inflation that was feared is now apparently considered by some authorities almost a necessity for good postwar employment. I can say from actual experience that serious inflation seems indeed a kind of transitory help for employment, but a rather dangerous one. However, the expectation of a serious postwar inflation does not appear to be based on very solid ground. It starts from two suppositions which came into popular discussion in recent months; namely, (1) from the belief that of the huge amounts of "hot" and "warm" savings which are being accumulated, the hot part will, immediately after the war or the first armistice, rush into the markets and (2) from the belief that these markets will be empty. One estimate, for example, predicts an average price increase of 8 percent and, according to this opinion, by the end of that year 16.2 billion hot savings will have rushed into the empty markets, causing a further increase of 8 percent in prices.

While prices, especially for scarce consumers goods, may be somewhat higher immediately after the war, I must disagree completely as to the prospect of "empty markets." However you figure business inventories, it is true that those of the retailers and wholesalers have decreased, but it is also true that those of the manufacturers are much larger. Add to this a modest estimate of $12 billion for Government stockpiles which can be used for civilian supply if the war ends and you get an inventory large enough to meet the rate of consumption of 1939 plus all the $16 billion of hot savings scheduled to rush into the markets at the end of 1944. And this entirely neglects predictions of earlier reconversion and an increased power of production which will further tend to increase our inventories. Under these circumstances, I am unable to foresee any serious postwar inflation.[8]

From the commodity side, the odds will be rather for deflation than for inflation after the so-called replenishment boom has taken its course. Empty markets? We have more wool in this country than our mills can process running at overcapacity if not an ounce of additional wool is added in the next 3 years; the world's cotton stockpiles are higher than even before the war. Our inventories of raw materials are 73 percent greater than our prewar inventories. Production of metals is already being heavily cut back. If our grain supply is shrinking, this is certainly not because human consumption had increased so much, but because our food policy has increased the number of hogs by 70 percent since 1939 and the cattle by almost 40 percent. Now the hogs started a huge run to the packing plants. While with one hand the Treasury pays subsidies to keep consumer meat prices down, the CCC buys with the other hand to hold hog prices up.

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[7] The percentage of durable consumers' goods plus private residential construction to total national gross expenditure in 1929 was 13.5 percent, in 1933, 7; in 1938, about 10; and in 1940, about 11 percent. (Markets After the War, p. 26.)

[8] See Barron's Weekly, Feb. 21, 1944, p. 3.

Growers of various raw materials in all continents are already approaching the British Government asking for an extension of the wartime purchasing guarantee for some postwar years. J. M. Keynes is adding to his currency plan a much more important chapter on stabilizing raw material prices on an international basis—which of course means a worldwide cartelization. Looking around, you will find very few raw materials which will not be available in plenty when the last shot is fired.

The increase of efficiency per man-hour will very probably be greater than anything shown in my charts. We did the huge production work with less skilled, unskilled and substandard labor, while millions of our best skilled laborers are drafted. In agriculture, the increase must be between 30 and 33 percent. In manufacturing industries, opinions differ widely. I think this increase will be even higher—after the engineers for 3 or 4 years have been let loose without regards to cost.

As to the other widely accepted assumption, that the savings will rush to the markets like a torrent, I think they are an extremely valuable cushion. I doubt very much that the public will spend the accumulated amounts like "drunken sailors." The American noneconomists acted in this case more wisely than some of our best economists anticipated. Some of us were sure that the "inflationary gap" would make for high spending and skyrocketing prices. John Q. Public has learned from rainy days and has saved. The inquiry of the National Planning Association shows that only 11 percent want to spend their savings right away and that 67 percent of the low income group and 73 percent of the others do not intend to spend most of their savings at the end of the war.[9] Only if a runaway inflation should develop would mass liquidation of bonds be likely. Even that is not quite sure, as shown by the example of France.

By this I certainly do not deny the existence of a large pent-up demand. In the first happy weeks and months after the terrible nightmare of war is over, there will be excessive spending. But I think its effect on lasting employment is grossly overestimated. Most spending, aside from amounts spent for cars and other consumers' durable goods, will take the form of spending for construction. Nobody, in fact, expects that the whole pent-up demand for construction and repairs will have to be satisfied in 1 single year. Besides, even if we accept an estimate of 20 billion or so of spending by dissaving, this does not equal 2½ months of war production, and it is a one-time expenditure. This pent-up demand alone will not create lasting additional consumption.

I feel obliged to warn against a very popular gross overestimation of foreign trade. The long-term trend of foreign trade has been decreasing ever since 1929. The deflationary tendencies which are to be expected almost immediately after the war in this country will, after a not too long period, also arise in foreign countries. The productivity of their plants, where not destroyed, has also increased, and their will to export will be more intense than before the war. Some of us voice great expectations about feeding Europe and Asia after the war. As to grains, I do not expect the shortage to last longer than until the next harvest after the European armistice. The enormous progress made by the European agriculture in using artificial nitrate is not sufficiently known here. The Danish statistics, which I consider to be the most correct, show that by the help of artificial fertilizers, the yield per acre has been increased by about 40 percent since 1920. From an official source we heard recently that we will be astonished how quickly the European textile industry will recover. Let me add that this will be the case with most industries, and perhaps most of all, with the construction industries. Let us do whatever we reasonably can to help suffering nations, but—do not bank on foreign trade for America's postwar employment.

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[9] "Public Thinking on Post-War Problems" (Planning Pamphlet No. 23, October 1943), pp. 16–18.

The developments which I have tried to outline to you are not inexorable. They have, however, sufficient force to cause me to assert that realistic planning must supplant the false hope of completely unrealistic and unforeseen expectations of consumption.

At the end of the war, a total labor force of between 62 to 66 million people may claim employment. We will have no difficulty in creating very great production. It is the active consumption power to absorb that production which will be the problem. The high level of income which we now have will be sharply reduced during the coming year even if not a single person is dismissed from employment. If overtime is scrapped, as it will be, and our labor force has to go from the high war plant wages to the level of wages in civilian industries, OPA has estimated that our national income will lose from $30 to $35 billion. With every additional million laborers leaving employment, we will lose another $4 billion in net income, and since the last millions created the highest additional increase, probably much more.

With our present methods, I feel it is impossible to create full productive employment for a labor force of 60, 62, or even 58 million persons. Even when in 1939 we figured that 45 million were employed 1½ million worked at Government-created labor in WPA, PWA, and a score of other alphabetical agencies.

On the other hand, experience the world over has proved that hunger for work in modern times is as great and as intolerable as hunger for food was in previous centuries. Therefore, we must find the means of using all those whom we are unable as yet to employ in full-time jobs.

This again must be done within such limits that our huge national debt will not be increased substantially by labor-creating methods.

Every one of us is interested in seeing the Nation maintain as much purchasing power as possible. It is rather difficult, however, to see how, with the labor time schedules of 1939, we can employ 60 to 62 million people in normal business enterprise. Even with labor hours reduced from 4 to 5 hours a week and with no corresponding reduction in payrolls, I do not see how we can employ more than 51 or perhaps 52 million people after the manner of 1939. Therefore, I repeat my proposal that (*a*) the sector of private enterprise shall be geared to the highest efficiency with the purpose of creating as high a standard of living as possible with a labor time and wage policy appropriate to this aim; (*b*) that the sector of public and semipublic enterprise be expanded within the limits of a balanced budget and that construction of all kinds which has a favorable multiplying factor should be furthered by all means; and (*c*) for those who cannot be employed in these two sectors, occupation must be found within the limits of a balanced budget until they can find and we have helped them to find the transition to sectors (a) or (b).

I deny that our rapidly, progressively increasing additional production is automatically converted into corresponding additional consumption or investment. I deny that any theory or practice except war or similar compulsory production has yet found the way to this conversion. To find the way, while safeguarding the freedom of the individual, is the most important task of this generation and perhaps the next. We have to find it through the highest concerted effort of industry, labor, and the administration. This country, with its unparalleled productive ingenuity, will struggle to find the way to employ all our citizens usefully. In the meantime, owing to this wartime production miracle, it is evident that American industry, agriculture, and labor working in a sympathetic political climate can undoubtedly provide a decent living for everyone in the United States.

[From the American Economic Review, March 1944]

HOW TO ACHIEVE FULL AND STABLE EMPLOYMENT

(By Morris A. Copeland,[1] War Production Board)

If we attempt to look into the postwar future of our economy, there are many uncertainties. There are some certainties, too, and one of these is general unemployment.

It is not intended to suggest that general unemployment is a malady of our system of private competitive enterprise which is incurable. It is suggested that we can be sure this malady has not been cured by accumulating the makings of a postwar business boom through deferment of civilian demand.

During World War I the flow of civilian goods and services was at a comparatively high level. After World War I several million persons had to be reabsorbed into civilian production. In spite of this, in the first decade after World War I, we enjoyed a period of persistent business boom. During most of this decade, business was aided by deferred civilian demand, both domestic and external. Because this period was marred by several interruptions in the process of business expansion, particularly that of 1920–22, it was by no means free of unemployment.

This decade of buoyant business was followed by nearly 4 years of rapid business recession and then a much longer period of slow recovery with one sharp interruption in 1937–38. We might refer to this second decade after World War I as a period of relatively stagnant business. Certainly it was a period in which the volume of unemployment was intolerably large. Even by mid-1940, when our war production effort began, the number of unemployed was not far from as large as the wartime strength of our Armed Forces. Average unemployment during the two decades may be estimated at 6 to 7 million.

There is an important parallelism for our economy as between the two World War situations. Again today the flow of civilian goods is at a comparatively high level. And again we face a prospective problem of reabsorbing persons from war employments to peacetime employments. Measured as a percentage of total national output, our present war effort is two or three times that of World War I. The number of veterans and warworkers to be reabsorbed into civilian production will be larger by some 12 million or more. Many of the warworkers will be reabsorbed without changing their jobs by simply remaining at work in plants being reconverted to peacetime production. But the remaining problem of reabsorption will be a substantial one. Again as compared to World War I, the greater and more prolonged war production effort means that there will remain also a much larger reserve of deferred civilian demand.

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[1] The views expressed by Mr. Copeland are his own personal opinions and do not necessarily reflect in any way those of the War Production Board.

This much of the pattern of the total employment curve after World War I seems likely to repeat itself if we do not prevent it. There will be an era of relatively bouyant business while the deferred civilian demand is being met, an era in which business recessions will be short; after that there will be an era of relatively stagnant business in which the average volume of unemployment will be substantially larger than during the period of bouyant business. Either of these two eras may be longer or shorter than a decade. And in either era the volume of unemployment may be more or less than it was in the corresponding era after World War I.

Factors other than the employment level from which we start, the volume of war labor to be reabsorbed, and the volume of deferred civilian demand will affect the pattern of the total employment curve for the postwar period ahead. Among these are factors suggested by the "secular stagnation hypothesis." One need not accept that hypothesis in its entirety to recognize and accept two of its corollaries: First, that on balance the development of our economic system in recent years has probably been such as to aggravate the problem of unemployment; and, second, that business fluctuations over a period of a decade or more may take place on a level such that even peak employment is considerably below full employment. Each of these corollaries may be commented on.

First, in what respect has the development of our economic system aggravated the problem of unemployment? Several aspects may be selected for comment. Not only has our frontier gone, but there is also relatively less of rural semi-self-sufficiency. A smaller proportion of our population today is in a position to withdraw from the price economy when it fails to work than was the case even a generation ago. As this development has cut off the possibility of self-help, however, unsatisfactory that may have been, the need for public unemployment relief has become more urgent. Again durable goods and construction represent a percentage of total output that has an upward long-term trend; and business fluctuations in these types of production are notoriously wide. Further, there are more inflexibilities in our scheme of organization than formerly, especially inflexibilities which tend to maintain the costs of capital goods during business recession. Moreover, there has been some further gain during the past 25 years in the relative importance of the replacement demand for capital goods, and this type of demand is less expansive than the initial demand for capital goods when an economy is newly equipping itself. Both because the type of demand is less expansive and because maintained costs are a deterrent, we can hope for less help in recovery through the rapid expansion of the demand for capital goods. Hence our economy today is probably less resilient in its ability to recover from a depression.

What of the second corollary, that business fluctuations may continue over a period of a decade or more on such a level that peak employment is considerably below full employment? The truth of this proposition was demonstrated by our experience in the thirties. There can be little doubt that the peak employment reached in a period of business expansion may be substantially less than full employment.

The significance of this second corollary of the stagnation hypothesis is that we may well be able by appropriate public measures to attain stable employment without thereby attaining full employment. There is need to consider separately how to achieve stable employment and how to achieve full employment. The recognition of these two separate problems as separate problems is an important step forward.

These considerations suggest that unemployment during the next 15 or 20 years is not likely to average less than it did in the comparable period following World War I. However, this is one side of the picture.

On the other, it may be pointed out that, because the volume of deferred civilian demand will be much larger than after World War I the period of buoyant business should last somewhat longer; and while the number of persons to be absorbed into civilian employment is much larger, too, this does not necessarily mean that the period of buoyant business will be on a lower level than in the twenties. Further, it may be argued that the large volume of unemployment in the thirties was the result of a combination of many circumstances and that it is unlikely that this peculiar combination will recur when we reach the period of relatively stagnant business, after the deferred demand is satisfied; hence that it is unlikely that we shall have a volume of unemployment in that period comparable to the volume in the thirties.

Further grounds may be cited for optimism. Three important public measures have been taken since 1929 which should help to moderate business fluctuations: (1) Federal regulation of the marketing of securities; (2) insurance of bank deposits; (3) unemployment insurance. The first two measures are designed to avoid specific forms of financial crises. Unemployment insurance provides a partial maintenance of income for a limited benefit period during unemployment and helps to the extent of the benefits to sustain purchasing power. While these measures will hardly prevent business recessions and depressions, or provide that the level of employment in periods of business prosperity shall approach the level of full employment, they should serve to decrease the severity of business fluctuations.

It will be convenient to refer to the considerations just set forth as exemplifying two schools of thought—the optimists and the pessimists. According to the pessimists we may look forward during the next 15 or 20 years to an average volume of unemployment of 7 or more million. But even an optimist, if he is candid, will look for a volume of unemployment that will average 3 to 4 million—roughly 2 million man-years of seasonal and between-job unemployment, a million man-years of cyclical unemployment on the average during the period of buoyant business, and, during the succeeding relatively stagnant period, 2 to 3 millions of cyclical unemployment plus unemployment even at the peak of business activity. Both forecasts assume that we do not take substantial new measures against unemployment.

It is not our present purpose to determine whether the optimists or the pessimists are right. On either view the prospective volume of unemployment is cause for grave concern. We will face tomorrow a question that yesterday we could lightly dismiss as academic: Is private competitive enterprise so much more desirable and efficient than collectivism that we can afford to waste 5 to 10 percent of our resources each year? Economically this question is made stronger by the fact that the prospect of so much idleness in many devious ways diverts our energies from production to means of "making the work go around"—restrictions on output in labor attitudes, in collective bargains, and in legislation, stoppages, competitive duplication in business facilities and operations, the development of monopolistic competition and competitive sales effort, patronage, and the pork barrel. Politically this question is reinforced by the fact that a disproportionate number of the unemployed may be veterans. If so, we may be sure the unemployed will make themselves heard. The opportunity to see how collectivist industrialism operates in Russia during the peace to come may quite possibly help to convince us we should answer our question in the negative. We cannot afford the waste of resources that general unemployment involves.

When we ask how we can remedy unemployment within our system of private competitive enterprise and what are its causes, we find agreement among economists on the first step in causal analysis. Seasonal unemployment and between-job unemployment, on the one hand, and cyclical and peak-business unemployment on the other can be treated separately. What follows is concerned exclusively with the latter phases of the problem.

Beyond this first step in the analysis of causes the situation presents a paradox. On the one hand, there is wide disagreement as to the basic causes both of business fluctuation and of the failure to reach full utilization of our resources even during prosperity. Writers have sought the causes variously in the maldistribution of income and the failure of corporations to distribute all their earnings, in the movements of interest rates, in changes in price margins, in monopoly, in the acceleration aspect of the derived demand for capital goods, in the short-term labor contract, in miscalculations by businessmen, in financial chicanery, in monetary and fiscal mismanagement, in technological change, in the relation between population and natural resources, in the opening up of new territories, and even in sunspots.

On the other hand, in spite of the diversity of views on ultimate causes of cyclical and peak-business unemployment, there is some measure of agreement on major proximate causes of business fluctuation. There is some measure of agreement, too, as to several important forms of public action available to deal with business fluctuation and stagnation, and as to the effects that may be expected of these measures. Fortunately these matters on the whole rather than utlimate causes are pertinent to the question of remedies.

Four proximate causes, on which there is a fair measure of agreement may be noted:

First, year-to-year fluctuations in the orders for durable goods and construction work contribute to business fluctuations. (*a*) During a depression much of the demand for capital goods is deferred, thus diminishing the volume of business during depression. (*b*) At the turning point the swelling of demand for capital goods when deferment stops may contribute to recovery. (*c*) During prosperity the demand for capital goods may be swollen not only by deferment but also by anticipation. (*d*) At the turning point exhaustion of the source of swollen demand for capital goods may help to bring prosperity to an end. (*e*) During depression again the more there has previously been of forward buying of capital goods, the greater and more prolonged the subsequent decline in demand for them.

Second, inventory variations contribute to business fluctuations. (*a*) During recession liquidation of inventories decreases demand for the goods in the inventories. (*b*) At the turning point stopping inventory liquidation tends to increase demand. (*c*) During business expansion inventory accumulation increases demand. (*d*) At the turning point stopping inventory accumulation tends to decrease demand.

Third, business expansion is a favorable environment for the development of unsound financial structures, narrow residual equity structures, and operations that with even small market changes may involve financial distress—bankruptcy or receivership. Such financial distress in turn may cause unemployment and thus contribute to a recession or to its inauguration.

Fourth, the informational bases on which businessmen make commitments and the diagnoses of business prospects on which public officials base policy are inadequate, particularly in the areas of durable goods production, construction work, and inventory variation. This inadequacy contributes to the amplitude of business fluctuations.

It may be urged that to these four proximate causes we should add a fifth major proximate cause of business fluctuations and business trends—variations in external trade balances. No question is raised here as to the reality or the importance of this fifth factor. However, for our present purpose it will be passed by on the ground that so large a country as the United States cannot manipulate its external balances to stabilize business or to support a high level of business activity without unfortunate international repercussions.

So much for proximate causes; next as to forms of remedial action. Some of these, when taken, are of a continuing nature: improvements in business information, modifications in our tax structure and our financial structure, and so forth. Except for improvements in information it can hardly be said that there is much agreement on these more general forms of action and on the effects to be expected from them. No discussion of them will be attempted here. Other forms of remedial action require to be taken (or aimed) at an appropriate juncture in the development of the business situation. In general, these latter forms many be used in either of two ways: as checks and as stimulants. Three of such forms of remedial action may be considered: (1) credit controls; (2) tax and subsidy policy; and (3) public expenditure programs.

1. Hitherto the chief usefulness of credit controls has been in checking an overexpansion of business. For this purpose they need to be promptly resorted to. Except as credit has been a means of financing public expenditure porgrams, credit policy has not proven very effective in stimulating business expansion during recession, or in stimulating a rise in the level of business volume when there is peak-business unemployment as well as cyclical unemployment.

2. In theory, adjustment of the tax level is possible both as a means to discourage business overexpansion and as a means to encourage expansion when encouragement is needed. However, if any such adjustments are to be useful they must be promptly made; some way must be developed to make the necessary adjustments through administrative action rather than by legislative process. Such adjustments today are painfully slow.

But there are other uses of tax policy that for the most part avoid the problem of administrative adjustment. Specific tax differentials can be enacted, designed to check specific forms of business overexpansion or to penalize formation of specific unsound financial structures. Specific incentives to business expansion during depression and specific incentives to improved business information may be provided through tax differentials, through tax rebates, or through subsidies.

3. Public works and other public expenditure programs are chiefly useful for the present purpose as a business stimulant. They can be used as a check on overexpansion, also, when the occasion requires a check, to the extent that the volume of programs in operation can be cut back.

At present the use of public action as a check on business expansion is in disfavor. A boom of vast proportions is in prospect—in housing construction in spite of the original plan of the FHA, in commercial structures, in automobiles and many other durable goods, in goods for relief and rehabilitation, even in public works.

The tendency to find in the current level of business a new secular trend is prevalent again. This peculiar form of historical myopia appears to be chronic. The present attack of historical myopia transmutes items of additional business that will contribute to a boom into measures that will help permanently to solve the unemployment problem. One widely accepted approach to the problem is the seeking of enlarged postwar markets by business. Another is the planning of as many public works as possible to be carried out as soon as relaxation of wartime restrictions permits and without provision for scheduling them with reference to business conditions. It is easy to foresee the boom and fail to foresee the end of the boom when deferred civilian demand is exhausted.

Applying checks to business expansion is never popular. Today its unpopularity receives theoretical backing from two opposing trends of economic thought. Many of those optimists who have as a postwar objective "less Government in business than we had in 1939" will be likely to oppose the use of checks on business expansion as a form of unneeded Government interference. There are also opponents of the use of checks among the pessimists and planners. They are concerned about the possible extent of unemployment during reconversion and are opposed to vigorous use of checks on the ground that peacetime booms have never yet achieved full employment. But at the worst, unemployment during the reconversion period is likely to be a short-lived interruption to the boom.

In spite of this strange agreement between advocates of laissez faire and advocates of economic planning it is submitted that there is serious danger that too big a boom during the postwar period of buoyant business will lead to another 1929. The employment of checks during the peacetime boom ahead is urgently needed. But there is reason to oppose checks, as checks have too often been conceived in the past. Heretofore some have held that we should seek to identify some instant in the boom period at which business expansion becomes overexpansion, and then, having identified it, proceed simultaneously to tighten credit, to raise the tax level, and to curtail public expenditure programs. But general business expansion can never be overexpansion so long as we fall short of full employment. Checks should not be applied to the total volume of business to remedy specific trouble spots. We need not burn down the house to roast the pig. The need is for a selective employment of checks. The selection of checks and areas of application should be made in terms of the proximate causes of business fluctuation, and the checks should be tailored to the factors on which they are to operate.

Checks are needed for two main purposes: (1) To prevent the development of unsound financial structures and operations and (2) to prevent the forward buying and overaccumulation of durable goods and to prevent overconstruction during a boom.

The first of these purposes requires early identification of unsound financial structures, early identification of business that is trading on too thin an equity. Because of the variety and continual change of financial organization, early identification of unsound structures when only a few have developed is by no means easy. Each major boom is likely to bring forth new forms of unsound financial structure. The remedy must vary with the varying form of unsound structure with which it has to deal. There may be need for public regulation of the terms on which specific types of credit are extended as well as of their rates. Specific financial and sales practices may need to be prohibited. And besides preventing the organization of additional structures that are unsound, there will be need to reorganize those already formed. Immediate stopgap action is likely to be required, pending the time when specific statutes can provide more lasting measures.

This outline of the task of providing specific checks to prevent the development of unsound financial structures raises a question as to the adequacy of the existing authorities and responsibilities of Federal agencies in the credit field. In spite of their broad scope there is need for a careful survey to determine what additional authorities and responsibilities should be vested in some Federal agency or agencies, *or what residual, emergency authority and responsibility should be* vested in some one agency, if the necessary stopgap actions are to be taken promptly, when trouble appears in some new and unexpected form.

The second major application of checks is to restrain overconstruction and overaccumulation of durable goods. Before considering this application certain broader aspects of our problem should be noted. Consistent with our system of private enterprise there are two main approach to the problem of eliminating the cyclical fluctuations of business: (1) Unsound financial developments may be prevented and we can seek to stabilize the production or sale of those goods that fluctuate most by offering incentives when business is slack and applying checks when the volume is too large and (2) a sufficient volume of public construction and other public programs[2] may be scheduled as compensatory expenditure programs. The second approach commends itself as involving the lesser modification of our free enterprise system. But if the compensatory expenditure approach is to be relied on alone, the volume of projects must be adequate. At the very least it would be necessary to be able to expand or contract the annual rate of compensatory expenditure by as much as $10 or $15 billion and to accomplish an expansion of this magnitude within a period of a year on a time schedule determined in the light of the business situation, if we were to rely on this approach alone.

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[2] Such expenditure programs include census taking, theater projects, unemployment insurance benefits, agricultural benefits, relief, etc.

Thus far our efforts at compensatory expenditure programs have been "too little and too late"—far too little and far too late. There are two main possible methods of expanding the volume of public programs available for compensatory purposes, in addition to the objectionable one of made-work: (1) We can find someway, acceptable to State and local governments, of including State and local projects. Under present conditions they are not only not a part of a compensatory expenditure program, but they are even a part of the unprogramed area that tends to augment the cyclical fluctuations of business; (2) the Federal Government can invade the present field of private enterprise far enough to get the necessary expansion. Even if we find ways to incorporate State and local government projects in the compensatory expenditure program, a large further addition to the program would be needed. It would be very doubtful that nationalization of the common carriers and the public utilities would suffice. Too large a part of their work and of the work of government is difficult to defer or to do ahead of time; hence too large a part is difficult to expand and contract for compensatory purposes. Clearly it is advisable to combine the compensatory expenditure approach with the approach of a system of checks and stimulants designed to stabilize specific forms of business fluctuation, a program that will decrease the amount of compensatory expenditure needed. If we desire to retain as many of the advantages of our free enterprise system as possible we will scarcely make the increase in volume of government compensatory expenditures an excuse for the wholesale taking over of industry.

Let us consider what is involved in the checks and stimulants approach as applied to any type of private construction or to the production of any durable good; e.g., public utility construction. The general plan of a system of checks and incentives is clear. Checks should be applied to decrease the volume of utility construction (to continue our illustration) during the peak period, possibly some form of peak-volume tax, possibly some method of tightening up on the extension of credit, possibly other devices. And incentives should be provided to increase the volume of utility construction during the low period—special advantages in obtaining credit, tax rebates, or even outright subsidy. The aim of these policies should be to influence the timing of utility construction. No overall encouragement or discouragement to utility construction over a period of years need be involved to iron out the fluctuation.

As a basis for the system of checks and incentives there is need for a clear public determination on a current basis as to what volume of utility construction can be supported by existing and expected demand with year-to-year stability. This would involve forecasting the trend of demand. Such a current determination alone would make an important contribution to general business stability.

As applied to the problem of inventory liquidation and accumulation the system is primarily one of incentives rather than of checks. If liquidation during recession can be prevented most of the disturbing effects of subsequent accumulation will be avoided. Preventing general inventory liquidation during recessions is a problem of providing an adequate inducement to hold onto inventories, without giving incentives to overaccumulation and without restraining desirable inventory liquidation in individual cases.

Some steps have been taken toward such a system of checks and incentives in the field of residential construction. And various credit checks are at hand in other areas that could be used as part of such a system. But we have made no serious attempt on a broad basis to determine how much can be accomplished toward stabilization of business and employment through a system of checks and incentives in the fields of private construction, durable goods production, and inventory variation.

It has been urged that it is important to distinguish between the problem of business stabilization and the problem of full employment. For the latter objective there is little need for checks. The mechanisms of incentives to induce additional private business and of public expenditure programs are the chief recourse. But there is a difference in the projects and in the forms of incentive that can be used. Works projects can be added to the compensatory expenditure program by transferring them from an area which augments cyclical fluctuations, provided only that arrangements can be made for their proper timing. State and local projects illustrate the point. It is not so clear that projects can be retimed to raise the trend of the level of business activity. For this purpose it may be necessary to plan projects that will constitute a net addition to the total volume of business, projects that would otherwise not have been planned at all. Similarly with incentives. A change in our tax structure that encourages one type of private business rather than another needs be distinguished from one that raises the trend of the level of business activity by inducing private business that otherwise would not have been taken place at all. Again, for works projects designed to compensate cyclical fluctuations the case for recourse to deficit financing is fairly strong. But when it comes to projects designed to raise the trend of the level of business, the case for deficit financing is anything but clear.

These distinctions are easier to draw in theory than in present practice. So long as we have business cycle fluctuations of substantial amplitude, there is likely to be danger of confusion between business stimulants that augment business expansion in a cyclical sense and business stimulants that help to raise the level of the trend of business activity. It is often difficult to tell when an addition to business today is a net addition to total business, and when it is gained by borrowing business for the future and so by borrowing trouble.

To indicate more clearly the distinction between these two types of business stimulants, let use assume that measures have been taken to prevent development of unsound financial structures and that we have a system of checks and incentives designed to iron out much of the fluctuation in durable goods production, private construction, and inventories. Let us consider the problem of managing public expenditure projects under these conditions.

Public expenditure projects will be needed (1) to stabilize the total volume of business activity and of employment by compensatory expenditure, and (2) to promote a high level of employment and business activity. Both purposes require that the volume of public projects to be started in any period be controlled centrally and with reference to the business situation. Fortunately this means determining centrally how many projects are to be carried out in a given period. For State and local projects at least it does not mean determining in detail what projects are to be carried out, or in what order they are to be undertaken.

Two questions involved in the management of expenditure programs may be considered: How many projects are to be undertaken in a given budget period? What budgeting period is to be employed?

The second question is the simpler. A year is too long a budget period to deal with business fluctuations; a month is too short a period for administrative reasons. The choice is between a quarter and a half year. Let us assume the half year is the budget period. This does not mean that projects will have to be planned on such short notice. A part of the budget of expenditure projects for several half years into the future can be definitely made up—new projects to be begun as well as projects underway to be carried forward—provided that the future level of business activity can be roughly forecast and the need for expenditure programs partically determined. But some projects will need to be planned and approved, and ready to go on short notice if needed, or ready to be deferred if they are not. If works projects are to be used to prevent cyclical and peak-business unemployment, it is essential to have a file of such standby projects. The extent to which projects can be planned and scheduled ahead for a definite period will be limited by the degree of accuracy with which the volume of business activity can be forecast.

The question of how many projects should be started during a half year may be considered, first, with relation to stabilization as an objective, and, second, with relation to full employment as an objective. For both objectives it will be convenient to think of gross national product as consisting of two distinct segments: (11) scheduled public expenditure projects, including the work of contractors and subcontractors on such projects; (2) other ultimate government services and all private business activity except that included under (1). For convenience we will refer to the first segment as "scheduled production" and to the second segment as "free production."

Let us assume that a half-year's budget for expenditure projects included in scheduled production is under consideration, when the current rate of production (both segments considered together) is at least equal to that in the preceding half year, but is somewhat short of full employment. The first budgeting step will be to estimate, on the basis of the present business situation and known commitments and trends, the volume of free production during the coming budget period, and to note the volume of scheduled production already definitely scheduled for that period.

The immediate question for purposes of stabilization then is, How many additional public expenditure projects are needed to bring the level of total production during the coming half year up to the present level? The longer run question is, Is the estimated volume of prospective projects of types now classed as scheduled production at least equal to the volume likely to be needed during the next several periods? If not, what projects now included in production can be reclassified as scheduled production so as to provide an adequate volume of scheduled compensatory expenditure projects? Or, alternatively, in what ways can the system of checks and incentives be extended so as to reduce requirements for scheduled production?

But if the current volume of employment is somewhat short of full employment, more projects should be scheduled than just enough to maintain the volume of business. For the objective of full employment, three budgeting steps are indicated: (1) to determine what surplus of prospective expenditure projects, if any, over and above compensatory requirements is available to raise the level of the trend of total business activity; (2) to plan and instigate additional public expenditure projects so as to provide such a surplus, if necessary, or alternatively to provide incentives to additional business in the area of free production; and (3) to schedule the surplus so that it will raise the level of business activity and at the same time to provide for replenishing the surplus through planning additional projects, so as to avoid the danger that the level of business activity will be lowered again by exhaustion of the surplus.

This outline analysis of how scheduled production public expenditure projects might be budgeted with reference to the business situation provides no a priori determination of a fundamental issue: what will happen to the level of business activity, if cyclical fluctuations are eliminated? On the one hand, will the level tend to rise to full employment in the course of a few semesters? Will the scheduling of surplus expenditure programs at a constant rate per semester accelerate the rise? Affirmative answers to these questions might be phrased as a rejuvenated Say's law. On the other hand, will a stabilized level of business actively tend to perpetuate itself? Will the scheduling of surplus expenditure programs at a constant rate merely raise the level by the amount so scheduled per semester plus an eventual fixed multiplier effect?

If no a priori answer is offered to these two alternatives by our analysis of the scheduling of public expenditure projects, the method for obtaining an empirical answer is clearly indicated. If the outlined plan of budgeting public expenditure projects were followed, a rapidly accumulating addition to the surplus of prospective expenditure projects would indicate that the former questions should be answered in the affirmative. Absence of such an accumulating surplus would substantiate the stagnation hypothesis. One thing we can say a priori: these two are not the only possible alternatives. The question involved is one of degree.

The method for obtaining an empirical answer to another question is provided. When is an addition to the volume of business today a net addition? When is it gained by borrowing business from tomorrow and borrowing trouble? If replenishment of the file of plans for future projects is coordinated with the schedule for putting projects into operation during the next few half-years, we are not borrowing trouble.

Our analysis of how scheduled public expenditure projects might be budgeted with reference to the business situation suggests two further conclusions: (1) If we mean seriously to deal with the problems of cyclical and peak-business unemployment through public expenditure programs, we shall need to develop and put in practice a budgeting procedure for public projects somewhat like that outlined above. Mere encouragement of a fad for planning public works is not enough. There is need for a continuing quantitative determination of how many projects need to be planned and planning the number determined on. There is also need for determining how many should be scheduled each half-year and for scheduling the determined number. (2) Such a budgeting procedure will be made easier to operate and more effective in proportion as we are able to improve our forecasts of business activity in the area of free production.

Thus far we have considered only three of the four factors we have listed as proximate causes of business fluctuations. It remains to consider the fourth proximate cause—the inadequacies of present business information—and to consider what improvements in information are most needed. Much progress has been made in the past 25 years in providing current business information. Indeed most of what we have today on a semiannual or more frequent basis has come into being in that period. There are important gaps and defects in that information still, but our major need is not for additional current data, but for better business forecasts, especially for better forecasts of free production. Much progress has been made, too, in the art of business forecasting, but much more remains to be accomplished, particularly in the area of durable goods production, private construction, and inventory variation. The types of development needed are clearly indicated. They are types of development in which there is need for private enterprises and individuals and public agencies to participate and to cooperate. There is need that each separately should do more and better forward-planning, and planning farther into the future. There is need, too, for firming up these plans, so that we can be assured, by and large, that when adopted, they will be carried out. Again there is need that each should make his plans available to some central agency so that these separate plans may be combined into a total forecast. In a word, what we need is a consolidated national production schedule for a year or more into the future for our whole economy.

[Excerpts from the report of the House Special Committee on Postwar Economic Policy and Planning, 1944]

ECONOMIC PROBLEMS OF THE RECONVERSION PERIOD

IV. TRANSITIONAL UNEMPLOYMENT AND REEMPLOYMENT

The successful demobilization of returning soldiers and civilian war workers and their speedy reabsorption in productive peacetime employment will be among the most important and difficult tasks facing the Nation as war needs diminish. In order to accomplish it successfully and to keep unemployment at a minimum, our industry, commerce, and agriculture must provide jobs to exceed previous employment peaks by nearly 20 percent, providing from 8 to 10 million more jobs than in the high peacetime year of 1940.

Failure to develop and apply an effective program would mean large-scale unemployment. The program directly relating to labor reconversion must be as broad in scope and as adequate as the program designed for industry.

In its third report (H. Rept. No. 1759) the committee briefly stated its position with respect to some of the problems of providing for the unemployed. These problems are further explored in the discussion which follows:

WARTIME CHANGES IN THE LABOR FORCE

The present labor force includes about 63,000,000 workers.[1] Of this total about 11,000,000 are in the armed forces, about 1,000,000 are unemployed, and approximately 51,000,000 are engaged in the production of goods and services for military and civilian needs. These figures represent startling changes from our last peacetime year. In 1940 the total labor force was 54,000,000, of which less than half a million were in the armed forces, 46,000,000 were gainfully occupied and approximately 8,000,000 were unemployed.

Thus, in the space of 4 years the Nation has transferred more than 10,000,000 persons to its Army and Navy and at the same time has increased the employed civilian workers by nearly 6,000,000.

The additional millions have come from two main sources—the unemployed and the nonworking population. Unemployment has been decreased by 7,000,000, while more than 9,000,000 additional workers have come into the labor force. The 9,000,000 additional workers have, in turn, come from two main sources. Nearly 3,000,000 have come in in normal fashion, as a result of the continued growth of the population. Six millions or more are temporary war workers, persons who were drawn into the market, or persuaded not to retire, by the combined pull of patriotism and high wages. (See chart 1.[2])

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[1] All labor force figures are rounded annual averages. The size of the work force varies seasonably by 3 million or more workers. See table 2 p. 13, for June figures.

The growth in the number of workers has been accompanied by a rapid increase in working hours—the increase in overtime alone has added the equivalent of 5,000,000 workers on a 40-hour week.

Nor are these the only changes. The war has necessitated the migration of millions of workers to areas of expanded war production; millions have shifted from agriculture, trade, and service industries to manufacturing; millions have learned new and higher skills; and workers' total "take home" pay has nearly doubled.

Meanwhile, many factors have served to enhance the productivity of workers who took part in the mobilization for war production. Efficiency has increased as new and improved methods have been developed; mass production has led to greater specialization of skills; better tools and equipment have been employed than in normal peacetime production. In some industries a transfer of this increased productivity to civilian production may have to be reckoned with.

LABOR FORCE CHANGES IN THE TRANSITION FROM WAR TO PEACE

It is clear that the change-over from war to peace will bring further marked changes, but their magnitude and direction cannot now be clearly discerned. In part the post-war changes may be merely the reverse of those occuring during the transition from peace to war. It is probable, however, that the post-war economy may differ considerably from that which existed before the war.

Many of the temporary workers will probably return to the home, retire, or go back to school after the war—the number remaining in the labor market will depend to a considerable extent on the number and type of jobs which are open to them. The wartime swing to manufacture will almost certainly be followed by a reverse movement to agriculture, trade, and commerce, service and construction, but industrial patterns may never return to those of the pre-war period. Many of the war "boom towns" may collapse with the end of hostilities, but others may become new centers of industry, competing with older industrial areas and significantly changing the distribution of our population.

Reductions in overtime, downgrading, shifts from high wage manufacturing to lower-wage service industries, unemployment increases, and other changes will tend to bring a decline in total pay rolls.

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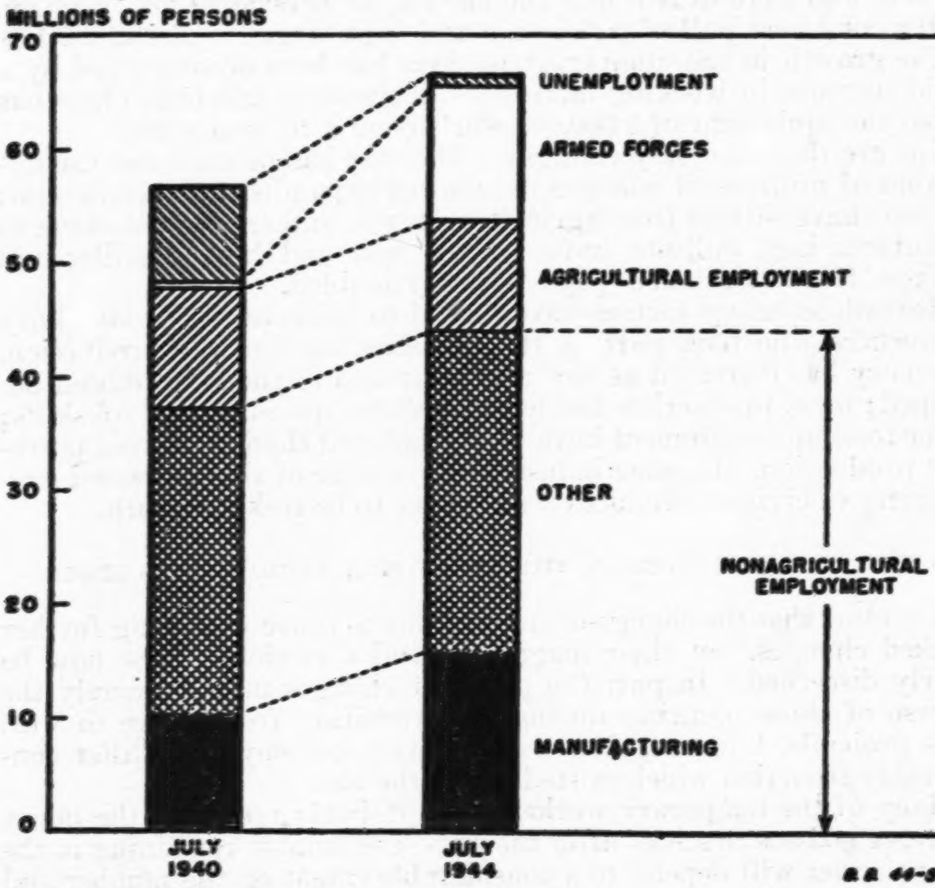
[2] Other is defined as mining; construction; transportation and public facilities; trade; finance, services, and miscellaneous; Government; and self-employed.

CHART 1

WARTIME SHIFTS IN THE LABOR FORCE 1/



1/ INCLUDES PERSONS 14 YEARS OF AGE AND OVER.

SOURCES: U.S. DEPARTMENT OF COMMERCE, U.S. DEPARTMENT OF LABOR, AND WAR MANPOWER COMMISSION.

In table 2 are presented Bureau of Labor Statistics estimates of the shifts that occurred in the employment of the labor force between June 1940 and June 1944, together with a tentative projection into the future. This projection, necessarily rough, was based on the assumption of an employment somewhat under 55,000,000, with the shifts among industries arranged to take into account the more probable post-war changes that are becoming discernible.

TABLE 2.—*Wartime shifts in the labor force and hypothetical post-war distribution of employment*

	June 1940	June 1944	Percentage distribution of employment		
			June 1940	June 1944	June 1947[1]
	Millions	*Millions*	*Percent*	*Percent*	*Percent*
Total labor force [2]	56.0	65.6			
Armed force	.5	11.4			
Civilian labor force [2]	55.5	54.2			
Unemployed [2]	7.7	1.0			
Employed [2]	47.8	53.2	100.0	100.0	100.0
Agriculture [2]	10.9	9.5	22.8	17.9	18.4
Nonagricultural employment [2]	36.9	43.7	77.2	82.1	81.6
Mining	.9	.8	1.9	1.5	1.9
Construction	1.9	.7	4.0	1.3	4.9
Transportation and public utilities	3.0	3.8	6.3	7.1	6.4
Trade	6.9	7.0	14.4	13.1	15.0
Finance, service, and miscellaneous	4.4	4.5	9.2	8.5	8.7
Government	4.1	5.9	8.6	11.1	8.9
Manufacturing [3]	10.3	16.1	21.5	30.3	25.3
Industries engaged in war production [4]	3.9	9.1	8.1	17.1	9.5
All other	6.4	7.0	13.4	13.2	15.8
Self-employed (balancing item) [5]	5.4	4.9	11.3	9.2	10.5

[1] Hypothetical.

[2] Bureau of the Census, Monthly Report on the Labor Force.

[3] Does not include Government manufacturing.

[4] These include all metal-working industries, automobiles, shipbuilding, aircraft, rubber industries, selected chemical industries.

[5] Difference between Bureau of the Census estimate of total nonagricultural employment and Bureau of Labor Statistics estimate of employees in nonagricultural establishments. Includes proprietors, self-employed, and domestic servants, but is not an accurate measure of this group because of (1) duplication in the Bureau of Labor Statistics series arising out of multiple job holding by the same person and (2) statistical incomparability between Bureau of Labor Statistics and Census series.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

SIZE AND NATURE OF THE TRANSITION PROBLEM

The size and character of the transition task of demobilization and reemployment may be outlined briefly as follows:

In terms of the total volume of post-war employment required.—Estimates by a number of agencies agree that we shall have approximately 60,000,000 persons in the labor force after the war.[3] The reduction from the present level will be the net result of the voluntary withdrawal of four or five million temporary workers, and the entry of from one to two million youths just coming of working age.[4] Of this total labor force of 60,000,000, probably from two to three millions will be in the armed forces. Most experts agree that another two to three millions, on the average, will be unemployed because of temporary illness, seasonal variations in employment, and job changes. "Full employment" thus will mean from fifty-four to fifty-six million civilian jobs—an increase of from eight to ten million jobs over 1940, and an employment level approximately 20 percent higher than the Nation has ever before reached in peacetime.

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[3] Estimated annual average size of the labor force for 1947.

[4] More precisely, the net excess of youth entering the market for the first time, over normal retirements. The net excess will probably be smaller than would normally be expected for a few years after the war, as many youths advanced their date of labor market entry because of the war.

In terms of the rate at which civilian jobs must increase.—This rate obviously depends on a number of factors, including the duration of the war and the period elapsing between the end of its European and Asiatic phases. In order to get a general idea of the magnitude of the problem let us assume that the German war ends late in 1944 and the Japanese war approximately a year later, that war production is reduced promtply as the need for war material declines, that the armed forces are demobilized rapidly, and that temporary wartime workers leave the labor market fairly promptly. In this situation it appears, according to estimates presented to the committee, that somewhere between twelve and fifteen million new civilian jobs will be needed within the 2 years, after the defeat of Germany. It should, of course, be recognized that a great many civilian jobs will be provided without any actual change in employment. Hence a worker may remain at the same bench or lathe and perform the same operations in turning out civilian goods that he did when the firm was working on war contracts.

A net rate of increase of 6 or 7 million civilian jobs a year for the 2-year period implies a tremendous change. Total private civilian employment has never previously increased by more than about 4,000,000 workers net, in a single year, even when the war years are included. The extremely high rate of increase necessary may be in some respects easier, and in some respects more difficult, to achieve than in more normal periods. The reestablishment of the jobs which existed previous to the war will naturally be easier than the development of entirely new fields of employment. It appears reasonably clear from the foregoing rough analysis, however, that unemployment will probably rise considerably above the 2.5 million figure for at least a part of the transition period, even if industrial reconversion and expansion proceeds at a rapid pace. It should be added that, if the German and Japanese wars should end at approximately the same time, the transition period will be shorter and more intense, and consequently the rate at which new civilian jobs will be needed will be considerably increased.

In terms of the total number of job transfers involved.—The estimates in the preceding section are net figures. While some workers will not change their jobs at all, others will change several times. It is difficult to hazard a guess as to the gross number of job transfers which will be involved during the 2-year period. It is clear, however, that the total number will be very considerably larger than the number of new jobs necessary. For example, one solider returning to his old job may start a series of job shifts; the worker whom he displaces may in turn displace another with less seniority and so on. Moreover, many soldiers and ex-war workers may try several jobs before finding one which suits them.

Many of these transfers may involve either no unemployment or a period of joblessness so short that it is of little consequence. The transfers will range all the way from a simple shift from war to nonwar production for the same employer to a major uprooting, involving a move to another community and a long search for work The total number of transfers does, however, affect the size of the task ahead for the employment service, vocational information and retraining services, and it may to some extent affect the total volume of unemployment and the need for unemployment compensation.

In terms of the size and duration of the unemployment problem.—From the rough analyses presented in the preceding paragraphs which are confirmed by estimates published by Government agencies, it seems probable that, if demobilization proceeds promptly, the number of temporarily unemployed may reach a peak of as many as 5,000,000 workers, even if industry is expanding rapidly and providing large numbers of new civilian jobs. If industry does not reconvert rapidly and expand its operations aggressively, the number of unemployed will, of course, rise above 5,000,000. (Obviously, those who entered the labor market as temporary war workers should not be included among the unemployed.)

If production expands rapidly during the transition period, most unemployed would be jobless for a few weeks or months, but would find jobs before the benefits to which they are entitled under unemployment compensation or the Servicemen's Readjustment Act of 1944 expired. Unless there is a rapid post-war industrial expansion the duration of unemployment for many workers may extend beyond the unemployment compensation period.

CONSUMER PURCHASING POWER IN THE TRANSITION

A question of prime importance in connection with the cessation of war production will be its effect on consumer expenditures. It should be evident that the total income payments to individuals will decline immediately after the war. This decline will be due mainly to three causes even if we have a high level of employment—(*a*) voluntary withdrawals of the extra war workers, including women who did not seek employment in the pre-war period, old people, and young people who would normally be in school; (*b*) shifts from the high wage war industries to corresponding lesser paid peacetime occupations; (*c*) reductions in hours per week resulting from the elimination of overtime.

The effect of this decline in the total of individual incomes upon consumer expenditures will be offset in part by the fact that a significant fraction of the wartime income of individuals was deliberately withheld from expenditures through the encouragement of savings and through high taxes. As chart 2 shows, it would be possible to reduce total income payments by as much as $40,000,000,000 and still—through reductions in individual savings and taxes from their extraordinary war levels—to maintain consumer expenditures at a level at least one-third higher than that of 1939–40.

The committee is, nevertheless, aware of the fact that if this potentially favorable picture is to be translated into reality, there must be a concerted effort, with private initiative and public encouragement, to expedite the substitution of civilian production for a substantial fraction of the wartime volume of production. This is particularly crucial in view of the fact that members of the armed forces as well as civilian war workers will have to be absorbed into the scheme of post-war production and employment.

DEMOBILIZATION MEASURES

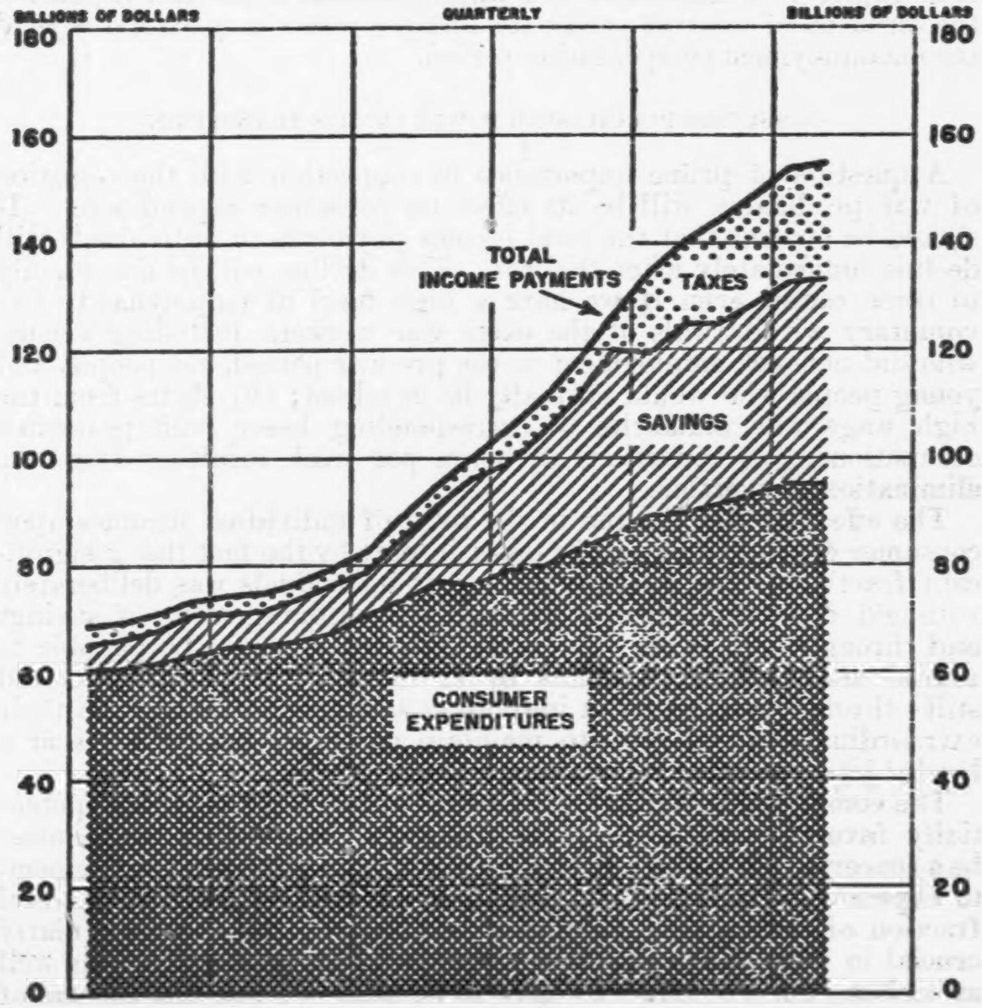
The armed forces.—An armed force of from 2 to 3 million men for the 2 or 3 years immediately after the war seems a reasonable assumption, when allowance is made for necessary policing service abroad as well as for a larger establishment at home. In this event we shall be faced with the problem of demobilizing from 8 to 9 million men.

The technical details of demobilization are primarily the concern of the military. Consideration must be given, however, to the effects on the domestic economy of the reentry of millions of discharged veterans into the labor market. Demobilization plans for soldiers should not be considered entirely apart from the plans for demobilizing civilian war workers, since both groups will become elements in our post-war labor supply, operating and competing within a common labor market. For these reasons the committee is interested in plans for demobilizing servicemen as well as civilian war workers.

CHART 2

INDIVIDUAL INCOMES, EXPENDITURES, AND TAXES

SEASONALLY ADJUSTED, ANNUAL BASIS



Department of Commerce data with estimates for second quarter of 1944 and minor changes in seasonal adjustments for consumer expenditures by the Board of Governors of the Federal Reserve System. Taxes include Federal, State, and local taxes paid by individuals. Amounts indicated as "savings" represent excess of individual incomes over consumer expenditures and taxes.

Our soldiers and sailors should be returned to civilian life as rapidly as military needs permit, in order that they may have at least an equal chance with civilian workers to obtain early peacetime employment. It appears probable that considerable numbers of veterans may be demobilized shortly after the war with Germany ends—perhaps as many as 2.5 millions between then and the defeat of Japan.[5] After the First World War nearly 3.5 millions were discharged in the first 12 months after the armistice—about 650,000 of these in the single month of December 1918.[6] It would seem reasonable to assume that the 1918–19 rate could be exceeded after the present conflict and that in the neighborhood of 5,000,000 could be demobilized during the 12 months following the defeat of Japan. The demobilization process should then be substantially completed during the ensuing 6-month period.

The committee favors the development, insofar as practicable, of flexible and practical programs to supply vocational information, education, and training to servicemen prior to their demobilization; such programs should not have the result of deferring the discharge of veterans, but should be designed primarily to use time available from military duties while in the service to equip the veteran for civilian employment, for operating a farm or for starting a business of his own. The committee understands that such programs are now in process of development by both the Army and Navy, in harmony with the objectives of the Servicemen's Readjustment Act of 1944.

The reemployment of veterans after their demobilization is discussed below.

Civilian war workers.—Of the 18,000,000 civilian workers now engaged in the production of goods and services for war, nearly 6,000,000 are producing end product combat munitions or their principal components; the remainder are employed in producing raw materials, foodstuffs, semifinished goods, and services for the armed forces.

Concern over the magnitude of the task and a desire to minimize unemployment during the transition period have led to frequent suggestions that war production be continued after war needs have passed, on a scale and for the period necessary to cushion the shock of reconversion and provide employment for persons who would otherwise be out of work. The committee feels that such proposals are unwise. The continuation of war production beyond military needs would constitute a particularly undesirable form of "made work," using up much-needed materials, delaying the reconversion of important productive equipment, and postponing the reabsorption of workers into productive permanent peacetime jobs. It is far wiser, in the committee's opinion, to speed the reconversion process in every practicable way, providing at the same time effective machinery to obtain new jobs for those displaced by the cessation of war production, and cushioning the shock of readjustment by adequate and effective provisions for the maintenance of workers unavoidable and temporarily thrown out of employment.[7] Provisions to this end are discussed in the following section of this report.

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[5] Assuming that the Japanese war lasts approximately a year after Germany's defeat.
[6] War Department Annual Report, 1918, vol. 1, p. 17.

MEASURES TO ASSIST REEMPLOYMENT AND TO SUPPORT THE UNEMPLOYED

Measures to assist reemployment.—In the case of the armed forces the wartime transfers were, of course, compulsory. The moves made by civilian workers were strongly influenced by powerful economic considerations, as well as by patriotic appeals. Workers were encouraged to transfer by the practical assurance of steady work with considerably higher weekly earnings.

The situation after the war will be far less favorable to the easy transfer of large numbers of workers.

Many demobilized servicemen will find their skills grown rusty through disuse. Some pre-war skills will be obsolete. Other returning veterans will have learned new specialized military occupations, which will require adjustment to fit civilian needs. Large numbers of ex-soldiers will need time to adjust to the unexciting regularity of peacetime employment after the nervous tension of war. Many will return burdened by physical handicaps which will make the transfer to civilian employment especially difficult.

Many workers who face a move to another locality cannot be certain where jobs will be available. Moreover, it appears that most shifts to nonwar industries will involve sharp reductions in workers' earnings, whether or not wage rates are changed. Reductions in overtime alone will mean sharp decreases in earnings for many workers. In general, the occupational transfers will be from the high-wage war industries to lower-wage nonwar industries, particularly in the service and distributive industries and in agriculture. The return migration will be from high-wage "war boom" areas to lower-wage areas. Transfers will probably be accompanied, also, by considerable shifts to jobs of lower-skill rating.

It is to be expected that the net effect of the transfer process will be substantial reduction in weekly earnings for many workers from the wartime level. It is natural that many workers will hesitate to accept the new jobs that will be available to them. However, some workers—for instance women and older workers—will welcome a decrease in the intensive pace of work, even a return to part-time employment.

A complete solution is not easy. The committee plans to devote careful attention to the problem of facilitating desirable labor mobility during the transition period.

Among the measures which seem desirable is the extension and strengthening of the Public Employment Service. At present the Service, federalized for the duration of the war, operates 1,429 full-time and 2,038 part-time placement offices. Its functions include the operation of local and interarea labor exchanges, job counseling, the assembly and dissemination of basic information concerning work opportunities, the referral of workers to training agencies and to unemployment compensation offices, and the provision of a variety of specialized placement and referral services for veterans. The Service handled nearly 10,000,000 placements in 1943.

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[7] A great deal of preparatory work has been done by almost every business concern, looking toward the resumption of peacetime production at the earliest possible moment. To extend unneeded war production would only defeat this effort.

In view of the critical period ahead, it is essential that the Service be well organized with adequate salaries to attract and hold good people, selected on the basis of their competence. It should be efficiently operated on a coordinated basis with effective coverage of all sections of the country. Consideration should be given to the use of public funds, administered through the Employment Service and properly safeguarded to prevent waste, for assistance in transporting workers during the emergency transition period to new jobs in other localities or to their bona fide former places of residence. The question of the return of the Employment Service to State administration will be considered by the committee.

Existing agencies, both governmental and private, should review their educational, training, and job-counseling programs to meet the demands of job seekers and employers. They should be designed to assist the self-employed and those who plan to operate a farm or start a small business, as well as those who work for wages.

Employers have already done much to facilitate the reemployment of veterans and civilian workers. The most important contribution which private industry can make is to convert to peacetime production rapidly and to expand production to meet increased post-war demands. Individual businesses can also mitigate transitional unemployment by undertaking accelerated maintenance programs, by giving workers advance notice of hiring wherever practicable, and by giving the Employment Service advance notice of lay-offs and anticipated needs for workers. By making every reasonable effort to place veterans and displaced war workers on the jobs for which they are best qualified, private businesses will serve their own interests as well as contribute to the smooth reabsorption of workers.

Provision for the unemployed during the transition.—The committee has taken the position that war production should be reduced promptly as war needs diminish, in order to speed the reconversion process and hasten the achievement of stable employment. It is recognized that this procedure may tend to concentrate unavoidable transitional unemployment in the early months of reconversion. The committee therefore emphasizes the need for a flexible and inclusive program to aid unemployed veterans and civilian workers—other than those voluntarily retiring from the labor market—during the transition period. A comprehensive program in this field will aid materially in restoring prosperity by increasing the demands for the products of industry. Moreover, it is a matter of simple justice.

Congress has recently passed legislation providing liberally for the needs of returning veterans who are unable to find employment. The Servicemen's Readjustment Act of 1944, commonly referred to as the G. I. bill of rights, provides aid to the serviceman during the mustering-out period through final pay provisions and through a system of counseling and advisory boards. Educational and vocational rehabilitation benefits have been extended. Loans for purchase of a home, farm, or business property are made available. The bill further authorizes a maximum of 52 weeks of unemployment compensation within the first 2 years after discharge and further creates a Veterans' Placement Board within the United States Employment Service.

During the reconversion period the great majority of war workers are covered by the State unemployment compensation systems which are well established. It is estimated that the reserves in these State funds will amount to over $6,000,000,000 by the end of this year.

Present Federal-State unemployment compensation.—The present Federal-State plan of unemployment compensation was established by the Social Security Act in 1935. A uniform unemployment compensation tax of 3 percent of pay rolls was levied upon employers, but credits of 2.7 percent are given for taxes paid under State unemployment compensation laws. The plans are administered by the States. Because of the wide variation in conditions in the different sections of the country, the amount and duration of benefits and other features are left to the States for determination. The taxes collected within each State are segregated and used solely for paying benefits to workers of that State. The three-tenths of 1 percent retained by the Federal Government was for the purpose of providing the cost of administration, both State and Federal.

The prime purpose of this legislation was to provide benefits for a limited period to workers who become unemployed through no fault of their own. The Federal act made it possible for the State laws to incorporate provisions under which the tax rate could be reduced for employers with records of providing steady employment. It was felt that this provision would serve as an incentive to employers to furnish more regular work and thus reduce unemployment. All but 6 States have such provisions. In addition to these two purposes, it was felt that the payment of benefits to the unemployed would be of assistance in maintaining general purchasing power.

It was not intended that large reserves be accumulated under this plan, but that, after the initial fund was created, the benefit payments over a period of years would approximate the amount of collections. Neither was it expected that the system provide benefits for all the unemployment that might arise during a protracted period of depression.

The role of unemployment compensation during the reconversion period.—Unemployment compensation provides a sound and practical means for meeting the unemployment which is apt to arise during the reconversion period. Over 30,000,000 are covered under the systems, including a high percentage of war workers. Because of this plan and the reserves which have been accumulated under it, the country is in a much better position to meet this transitional unemployment than it was at the end of the last war when no such system was in effect.

The plan has been in operation for 8 years and benefits have been paid under the State systems for at least 5 years. The States have administrative staffs, skilled and well acquainted with the type of problems which are likely to arise. Due to the abnormally high level of employment and pay rolls during the past 3 years the funds have accumulated at a rapid rate. Hence the systems are in a much better position to meet the abnormal situation which will be faced during the reconversion period.

Present status of plans.—The amount of the funds in all the State plans amounted to $5,400,000,000 on June 30, 1944, and it is estimated that the combined fund will reach $6,000,000,000 at the end of the year. During the fiscal year ending June 30, 1944, the total collections were $1,350,000,000 and the total benefit payments were $61,000,000.

The State laws generally provide benefit payments of from 50 to 60 percent of regular wages with stated maximum weekly payments. The initial laws generally provided a maximum of $15 per week, but the amonut has been raised in many States. The duration of benefits is generally based on the amount of earnings of the individual, but some States provide uniform duration for all who are eligible. The laws initially provided maximum duration of benefits of from 13 to 16 weeks, but the maximum duration has likewise been increased until it now ranges from 14 to 24 weeks.

Plans have steadily improved during the past few years. In addition, because of the increased wages particularly due to overtime payments and steady employment during the war years, a much higher percentage of workers will be eligible for the maximum benefits, both as to weekly amounts and duration, than in normal times.

The committee has received information on the present status of unemployment compensation from State administrators and Social Security Board officials. The attention of the committee was also directed to the resolution adopted at the annual Governors' Conference in May of this year in opposition to basic change in the Federal-State arrangement. The governors also recommended that the States study the solvency and adequacy of their plans and take such steps as they found necessary to enable the State to meet the post-war unemployment problem.

The committee believes that it is sound policy to continue the unemployment compensation program under State administration and that benefits and other provisions should be based on wage and living conditions and the nature of employment in the various sections of the country. Since the present system is basically sound and seems on the whole to be working satisfactorily, no hasty action should be taken which might have an adverse effect on social security in the long run. There are some changes, however, which should be made in the system so that it will be in a better position to meet the situation during the immediate reconversion period and thereafter.

SUGGESTED IMPROVEMENTS

Amount of weekly benefits.—The chief criticism which has been made of present State plans is that they do not provide adequate benefits either in amount or duration. In spite of improvements which have been made in the last few years, the weekly benefits in a high percentage of cases will be less than 50 or 60 percent of regular wages. This can be corrected by raising the maximum. A majority of States have raised the maximum benefits. Twenty-two States, however, still have the same maximum benefit of $15 per week originally provided although wage levels have increased considerably in the meantime. Twenty-five of the State laws now have maximum benefits of $18 or more, including nine with a maximum of $20 and one with a maximum of $22.

Duration of benefits.—A serious limitation of a number of the State systems is the limited period for which the benefits are payable. While the duration of benefits has been increased in several States in the last few years and while a higher percentage of workers is eligible for the maximum duration than in normal years, the maximum duration is still 16 weeks in 28 States. Only 4 States have a maximum as high as 20 weeks, and 1 State has 24 weeks. For many workers, of course, the 16 weeks' benefits would be sufficient. For many other workers who will have to shift employment during the reconversion period, a more adequate protection would seem necessary.

Solvency of funds.—The committee has had presented to it data regarding the individual State funds and the benefits which might become payable during the transition period. State and Federal officials are in agreement that in general the funds are adequate to pay benefits provided by the present laws with the possible exception of a few States. For the country as a whole the balance of the fund on June 30, 1944, was $5,400,000,000. The Social Security Board estimates that this balance was sufficient to pay the average weekly benefit for the maximum duration to over 65 percent of the covered workers. This provides a wide margin of safety and indicates that the level of benefits could be raised without danger of affecting the solvency of the plans. There is, however, a wide variation in these percentages among the different States. In a few States the funds are adequate to pay present benefits if all covered workers became unemployed. In a few States the percentage is down to 40 percent; these are some of the highly industrialized States where there is apt to be greater unemployment. An increase in benefits might threaten the solvency of these particular funds.

It would seem a wise policy for the Federal Government to provide over-all protection to the State funds against threat of depletion. This protection could be provided from that part of the unemployment compensation tax which has been retained by the Federal Government. The three-tenths of 1 percent which was retained to provide for the cost of administration has proved to be far in excess of the money actually needed for administrative expenses.

Up to July 1, 1944, approximately $450,000,000 have been collected in excess of the money appropriated for administration. For the current fiscal year it is estimated that the collections under the three-tenths percent tax will be $180,000,000 while the appropriation for administrative expenses will be only $30,000,000. Thus, the excess collections will amount to about $600,000,000 by July 1945. These excess collections now become a part of General Treasury funds. At the time of the enactment of the Social Security Act it was the intention that all of the tax be levied for the purpose of providing unemployment compensation and not for general revenue. The committee is in accord with the suggestions which have been made that these excess collections be used as a fund to protect the State plans against insolvency.

Once this protection has been given, the States would be in a better position to improve the level of benefits. It is not considered advisable for the Federal Government to fix definite Federal standards,[8] either as to the amount or duration, which the States must adopt in order to qualify for loans or grants. The reasons, which were originally responsible for giving wide latitude to States in fixing the provisions to suit local conditions, still exist.

If this protection is provided, however, many of the States could improve the level of benefits, especially in regard to duration. The systems would then be in good position to take care of the unemployment that might develop during the reconversion period.

One of the criticisms which has been made against the present system is that there is not adequate provision for the workers who go from one State to another. This problem has now to a large extent been solved by interstate agreements.

The committee therefore feels that prompt action should be taken by the Federal Government to protect the State funds against the threat of depletion. At the same time it strongly urges that the State authorities give immediate consideration toward improving the State laws, particularly with respect to increasing the duration and level of benefits.

Coverage.—One defect of the present system is that too large a number of workers are excluded from it. Important groups which are not now covered are employees of firms with less than 8 workers; maritime workers and Federal employees. The employees of concerns hiring less than 8 workers are estimated as about 3,000,000. Many of these smaller firms are engaged in war work and protection should be given their employees. Some States have already covered smaller firms. There is a general agreement that the plan should be extended to cover these workers, but unless the Federal unemployment insurance tax is extended to cover the employers of 1 or more it could not be expected that many States would take action. This group is already covered under the old-age insurance plan, and the administrative difficulties are not considered serious.

There is apt to be a sharp reduction in the number of maritime workers needed after the war. A plan should be developed for bringing these workers under the unemployment compensation system.

Another large group of uncovered workers is the Federal civilian employees. Many of the Federal employees are now engaged in Navy yards, shipyards, or arsenals or are doing work essentially the same as civilian workers in the same localities and occupations, who are protected.

Legislation should be enacted to provide payment of unemployment compensation benefits to Federal Government employees by the States in which they are located.[9] The benefits would be the same as the benefits paid to other workers in the State. The practicable method of handling this would be to have the States make the payment and the Federal Government reimburse the States for payments actually made.

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[8] Some members of the committee feel that further action by the Federal Government will be necessary to improve the level of benefits during the transition period either in the form of supplementary Federal payments or Federal standards. These members believe that, as the reconversion problem is national in scope, the Federal Government should participate in the cost of providing adequate unemployment compensation during the transition period.

[9] Some members of the committee feel that, in view of the present public debt and the heavy additional drain on the Federal Government for the prosecution of the war, additional obligations of an indeterminate amount which this proposal will involve should not be incurred.

In spite of these provisions and the unemployment benefits for veterans and civilian war workers, there will in all probability be individuals and families who cannot qualify for benefits provided in the programs described, or who will exhaust their claims to such benefits.

In advancing preliminary proposals for the support of unemployed workers during the transition period, the committee has been actuated by a desire to suggest a program which is both comprehensive and sufficiently flexible to cover adequately all situations which may arise. It is the hope and belief of the committee that reconversion unemployment will be moderate in volume and, for most workers, short in duration. In this event an inclusive and liberal unemployment compensation program can be expected to meet the bulk of the problem; public works, except for urgently needed projects, would probably be unnecessary; and reliance on general relief could be relatively slight. In the event, however, that industry and commerce are unable to reconvert rapidly and expand vigorously, it may be necessary to rely heavily on public-work and relief programs. The Nation must be prepared with a program adequate to meet either eventuality.

Federal old-age pensions and survivors insurance.—For the groups now covered under the Federal old-age and survivors insurance no changes seem to be necessary in the immediate post-war period. Collections of the tax have been much higher than estimated because of high wartime employment, and benefit payments have been greatly reduced because of the continuation of workers in industry beyond normal retirement age. This situation will reverse itself as soon as the war is over.

Immediate consideration should, however, be given to bringing into the system many groups of workers who are not now included. The system now covers those employed in business, industry, and trades but excludes domestic servants, workers on farms, employees of nonprofit organizations, employees of Federal and local governments, and the self-employed. These groups number normally about 12 million people. A large number of these persons have shifted from their usual occupations to war industry. While so employed they have come under the system, have paid taxes, and are building up credits toward their annuity benefits. After the war many of these workers will go back to their former employment and their accumulation of old-age and survivors protection would stop. Many workers would not get any benefits from the contributions which they have made. This would seem to be the logical time to extend the coverage of this act to prevent many of these newly insured workers being dropped from the system. One reason why these groups were originally excluded was the administrative difficulties. The Social Security Board officials have been working on these administrative problems for a number of years and now feel confident that they can be handled satisfactorily.

During each of the last 3 years Congress has been confronted with the question as to whether the old-age tax, which is now 1 percent on employer and 1 percent on employee, should be increased. The question of financing old-age insurance and other parts of the social-security program is a matter which must be carefully studied in relation to the general fiscal problems of the Government.

The financial problems which the country will face after the war are much different from those which existed at the time of the passage of the Social Security Act or when revisions were made in 1938. The committee recommends that the House Ways and Means Committee and the Senate Finance Committee appoint an advisory council of qualified experts to study the tax features and other financial problems of the Federal old-age and survivors insurance plan and submit recommendations. This procedure was followed in 1937 when an advisory council was appointed to study the entire old-age insurance plan. A number of recommendations were made by the council which were adopted by Congress.

Many of the men now in the armed forces were covered under the old-age insurance plan before they entered the service. They are now receiving no credit and in many cases this adversely affects their old-age and survivorship benefits. Many of these men would normally have been in covered employment and would be building up credits under the system. While the Servicemen's Readjustment Act of 1944 provided unemployment, educational, and other benefits for servicemen, no provision was made for establishing credits under the old-age insurance plan. It is, therefore, recommended that legislation be passed to give credit to all those in the service, including those who have had no previous coverage under the act, on the basis of a stated monthly wage and that payments be made into the insurance fund by the Federal Treasury to cover the cost.

V. Public Works and Private Construction

In the preceding section it was estimated that in the neighborhood of twelve to fifteen million new civilian jobs must be provided within the 2 years after the defeat of Germany if large-scale unemployment is to be avoided.

Few additional jobs can be supplied by manufacturing industries; in fact, on the basis of evidence supplied to the committee it appears that employment in the tremendously expanded manufacturing industries will probably shrink by several million workers when the huge war orders cease, despite resumed civilian output. Some additional employment may be found in agriculture but, in view of the probable decrease in demand for farm products after the war, it seems doubtful whether agriculture can be expected to provide satisfactory jobs for many more workers than at present.

The main sources of additional jobs after the war appear to be in trade, transportation, services and self-employment, and in construction. These industries must be counted on to take up most of the slack when the Nation shifts from war to peacetime production.

Among this group of industries, construction has received particular attention, both as a large potential job-giver after the war, and as a potential stabilizer to counteract business fluctuations. In past good years the industry has accounted for from 10 to 15 percent of national income and has supplied jobs, directly or indirectly, for from six to nine million persons.

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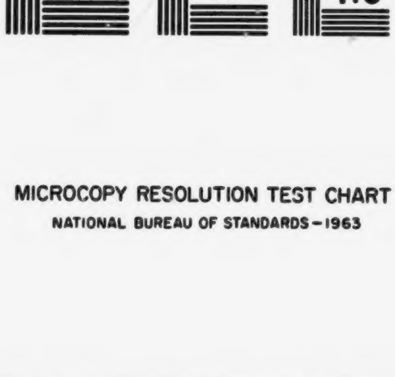
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MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS-1963

Employment in the industry is now at a low ebb, due to the rapid decline of war construction and the strict limitations on available manpower and materials for civilian use. Total average employment on new construction for 1944, both on- and off-site, is estimated at less than 1.5 million workers. Including maintenance and repairs, the total is probably under 2.5 million, or only a little over half the construction and maintenance employment in 1939.

Wartime restrictions on civilian construction have resulted in the accumulation of a substantial backlog of demand. A considerable volume of deferred repair and maintenance work has accumulated. There is also a continuing shortage of housing. While the demand for war matériel has resulted in overexpansion in a few lines, it appears that the service and distributive industries generally and many lines of nonwar manufacturing will require large volumes of construction after the war if prosperous conditions prevail. Finally, Federal, State, and local governments have delayed the construction of many improvements, creating a backlog of needed public construction. It seems clear that if the huge volume of potential demand for construction after the war is realized, the consequent expansion of construction activity can provide a large number of civilian jobs.

The committee is interested in determining what measures can be taken by the Congress or by others to stimulate the planning and execution of construction projects, by State and local governments, by the Federal Government, and by private enterprise. In considering these problems the committee has found it helpful to distinguish between "normal" and "emergency" public work—normal, which would be done in the ordinary course of governmental operations, and emergency, which would give jobs in periods when general underemployment or sometimes purely local conditions indicated a net public gain in getting the work done at that particular time.[10]

1. What steps should be taken to encourage private and normal public construction to expand after the war?
2. What volume of employment can private and normal public construction be expected to provide during the transition period and how rapidly can this employment be provided?
3. If large-scale unemployment develops, to what extent and under what conditions should it be met through a program of public work? What advance preparations should be made for a public work program, what types of projects should it include, and under what conditions should public work be made available to unemployed persons?

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[10] The distinction between the spheres of local and Federal responsibility in respect to public work has been stated by the president of the American Municipal Association thus:

"Municipalities can finance a normal long-term program of public works construction; but if in a period of severe unemployment the cities are called upon to telescope a 10-year program into a year or 6 months, it must be admitted that they 'just do not have the money to carry on that kind of an accelerated program.'

"The same is true of actual construction. Under normal conditions, if a city needs certain public works additions and can develop a normal program over a comparatively long period, we feel that it is the business of the municipality to do that itself. But there again, if we are to do that program in a short period, our tax base is simply not flexible enough; we cannot raise the money or provide for any large excess period of unemployment."

THE ENCOURAGEMENT OF PRIVATE AND NORMAL PUBLIC CONSTRUCTION

The most important stimulus to the expansion of the construction industry is the prospect of a high and continuing level of general business activity and demand. General prosperity will not only encourage businesses to construct new facilities, it will also encourage residential contruction on a large scale. The achievements of a high peacetime level of employment and prosperity is the primary objective of this committee and all of its proposals will be directed to this general end.

Another important factor influencing the volume of construction is the cost of building. There is general agreement that the incomes of both building-trades workers and of the producers of building materials could be increased if construction costs could be reduced, if unnecessarily restrictive local building regulations could be revised, if restrictive trade practices could be eliminated, and if employment could be regularized. Expanding volumes resulting from lower costs would more than offset such cuts as might occur in prices and hourly-wage rates. The committee expects to study various proposals for bringing about a concerted attack upon this complicated problem by the various groups involved.

Among the general measures proposed by the committee for the encouragement of business expansion and employment, thoroughgoing revision of the Federal tax structure along the lines suggested in section VI of this report, would be particularly helpful in expanding construction activity. Relaxation of present tax restrictions on the investment of venture capital could be helpful in two important ways. First, by encouraging business expansion in general, it would create a demand for the construction of additional stores, service establishments, and factories. Second, it could be expected to encourage the investment of equity funds in large scale residential construction, thus operating directly to increase employment and provide better housing for our population.

A continuing examination of the system of war controls over materials and manpower is recommended, with a view to the relaxation of these controls as rapidly as possible without interfering with the progress of the war. The availability of an adequate supply of materials and labor is a prerequisite to the expansion of the construction industry. Quick expansion is important, not only because of the employment provided by the industry itself, but also because the expansion of many other industries depends in part on the speed with which new facilities can be erected.

The committee plans to study a variety of proposals concerning ways in which the Federal Government may legitimately encourage the expansion of private construction, particularly residential construction. A marked increase in home construction will be needed after the war. Large numbers of families urgently require better housing, and the field appears to offer excellent opportunities for the investment of large amounts of capital. In general, this need should be supplied through private enterprise, rather than by the Federal Government. An expanded program of research into construction materials and methods for the information of the industry and the public generally could do much to lower construction costs, thus tending to increase demand.

The committee plans to study the advantages and dangers involved in various proposals for providing direct or indirect encouragement to private capital to enter the low-income housing field, and will examine carefully the factors affecting housing both public and private for low-income families.

Short-term projects.—Short-term projects which State and local governments would normally have conducted during the war period, but which have been deferred by wartime restrictions, offer an obvious outlet for immediate public employment during the transition period. Such work has the advantage of providing more employment in relation to the total investment than do longer-term construction projects.

With very few exceptions the fiscal reports of the State and local governments reveal a stronger financial position than they have enjoyed in any recent year, while the Federal Government faces the responsibility of bringing a huge Federal debt under control and of providing for an unprecedented volume of peacetime Federal expenditures during the years immediately following the end of the war. It is essential that the State and local governments should themselves assume the cost of deferred short-term projects of a normal character without looking to Federal aid. Both the State and local governments and the appropriate agencies of the Federal Government should plan now for speedy initiation of short-term projects and repair and maintenance programs when war demand falls off and transition unemployment arises.

TABLE 3.—*Estimated construction activity in the United States*[1] *1939–44*

[Millions of dollars]

	1939	1944	First peace year [2]	Second peace year [2]
Total new construction and maintenance	[3] 10,215	6,850	10,500	14,500
New construction	6,302	3,600	6,500	10,000
Private	3,891	1,414	4,000	6,400
Public	2,411	2,186	2,500	3,600
Maintenance and repairs	2,981	3,250	4,000	4,500
Total employment (in thousands)[4]	4,250	2,300	3,700	5,000

[1] Unofficial estimate, Bureau of Planning and Statistics, War Production Board.
[2] Preliminary estimates.
[3] Includes $1.03 billion in work relief projects.
[4] Including both onsite and offsite.

WHAT VOLUME OF EMPLOYMENT CAN PRIVATE AND NORMAL PUBLIC CONSTRUCTION PROVIDE?

Total new construction for 1944, both public and private, is estimated at about 3.6 billion dollars. To this should be added from 3 billion to 3.5 billion dollars in maintenance and repair work. Total employment for the year, including on- and off-site employment, for both new construction and maintenance and repairs, probably will be somewhat less than 2.5 million workers.

Experts consulted by the committee are of the opinion that despite the best efforts of private industry and Federal, State, and local governments it seems doubtful whether the industry can expand civilian construction enough to increase total employment by more than a few hundred thousand workers in the first year after the defeat of Germany. They consider it doubtful whether private construction can expand sufficiently to more than make up the loss in public war building. Maintenance and repair work will expand but the increase which can be expected in this category probably will not raise total employment for the industry by more than 300,000 or 400,000.

There are many reasons why a more rapid rate will be difficult to achieve. Many industrial concerns will hesitate to make commitments for construction until they have a better basis for judgment as to future demand and future price levels; others will be delayed by inability to get new equipment. The construction of many homes will be postponed until migrating war workers have settled down and obtained permanent jobs; home building will be delayed for a time also by difficulties in obtaining refrigerators, furnaces, stoves, and other essential household equipment. Contractors will need to rebuild their organizations, obtain materials (lumber and metal parts, particularly, will be scarce at first), and replace essential construction machinery.

It is hoped that many of these initial difficulties may have been largely overcome by the time the Japanese War ends. In this event the construction industry can provide employment at an accelerating rate during the first full peacetime year. The best estimates available to the committee, however, indicate that a further increase of about 1,250,000 workers—combining on-and off-site, private and public—is the most that can be expected for this period. Thus by the end of 1946, assuming that the war with Japan ends late in 1945, the total employment provided directly or indirectly by new construction and maintenance and repair would probably not exceed 3,750,000. If demand warrants, the industry could probably increase total employment, on- and off-site, by one to one and one-half million workers yearly for several years thereafter. For the most part, however, these later increases would occur after the reconversion period proper has ended.

The preceding estimates are extremely rough; it is believed, however, that they represent, in general, the most favorable rate of expansion that can realistically be expected. It is clear from these figures that, while the construction industry and its allied materials industries can make an important contribution toward the absorption of demobilized veterans and released war workers, the industry will not be able to expand rapidly enough to absorb a large proportion of those thrown out of work during the reconversion period.

WHAT PROVISION SHOULD BE MADE FOR EMERGENCY PUBLIC WORK DURING THE TRANSITION PERIOD?

The Federal Government, recognizing the importance of local public work in post-war employment, should lend encouragement and technical assistance to the preparation of plans for a wide range of useful public projects so that they may be in readiness for execution in case continuing large-scale unemployment develops. The program should be capable of rapid expansion and contraction and should be suited, insofar as practicable, to the skills of the unemployed. Employment on public-work projects should not be conditioned upon a needs test. Fair, competitive wages should be paid and high standards of efficiency should be insisted upon.

The committee recommends Federal grants-in-aid to be disbursed on a 50-percent "matching" basis to State and local authorities for the preparation of local plans and for direct technical counseling to achieve maximum speed, maximum usefulness, and correct timing of emergency public-work in relation to economic conditions over the Nation. Plans for needed Federal works, beyond the regular highway programs and other usual peacetime activities, should likewise be expedited and coordinated. The facilities of the Bureau of the Budget, the War Production Board, and the Federal Works Agency, as well as of the operating departments, should be utilized.

It will be no service either to the public-works-program or to the general economic welfare to expect from public work a larger contribution in the process of reconversion than the construction industry can support. Moreover, it would be a disservice to the national economy to put public work in a competitive position with private industry so that the expansion of needed enterprises would be delayed because of undue emphasis on public work.

The first task of the Federal Government, aside from providing its volume of normal construction and repairs, is to free materials, equipment and manpower. These will be required, both for needed maintenance and repairs, and for the reconversion and expansion of private industry. Meanwhile, at the earliest possible date public-works-projects should be made ready for release if and when the condition of the industry and the level of business activity are such as to need the stimulation of public construction. The Federal Government is thus conceived as a rear line of defense. Federal financing should be invoked to support a large public-works program only as a necessary resort if local funds and private investment, and unemployment insurance, fall short of sustaining the economy during the conversion and post-war period.

Testimony presented before the various congressional comittees, and particularly that of the House Committee on Public Buildings and Grounds, indicates that only a small percentage of the public work which would be desirable during the transition and post-war period is in the blue-print stage. Thus, in a survey conducted by the American Public Works Association early in 1944, the tabulation of data from 68 cities with a population of 6,000,000 revealed that only $48,000,000 of projects were in readiness for construction out of a total estimated requirements of half a billion dollars.

It has been pointed out that the Federal Government, apart from any direct aid, could help to stimulate public planning by clarifying its position with respect to Federal aid of a public-works program. Typical expression was given to this thought in the testimony of Gen. Philip B. Fleming, Administrator of the Federal Works Agency, before the House Committee on Public Buildings and Grounds, when he said:

> I think many of them [municipalities] are waiting to see what the attitude of the Federal Government is going to be. Some of them, as I said, have funds, but all of them have not. There are some towns that have met the war impact and now they are swamped with things to do, and we had to go in there with Lanham Act funds to help. There are others that are building up reserves but are holding back waiting to see what the Federal Government is going to do. I think in justice to them the Federal Government should declare its policy either one way or another and just take a definite stand so that those people will know. Then those that have funds, and have been waiting to see if they are going to get any Federal help, will go ahead; those that have not funds, and cannot do anything, will see [illegible] towns collapse, maybe.
>
> And I think private business wants this same assurance. They would like to know what the Federal Government is going to do, because they have to make their plans for the future.
>
> And what I would prefer, and what I have been saying is that I would like to see the Federal Government stimulate planning by a small grant-in-aid for planning only; not for construction. I am just thinking of some sort of little grant. That is something you will have to work out, as to the volume of it that you can render to a community.
>
> Planning, ordinarily, is about 4 percent of the construction cost, and if you can find some sort of means of granting aid to these cities to stimulate them and get them to do it now, it will reassure them.

On the basis of proposals made by authoritative sources, including civil engineers, business and labor organizations, State and municipal planning agencies and Federal agencies interested in public work, the committee is giving serious consideration to the following points:

1. That effective and inclusive steps be taken to stimulate the expansion of private construction activity both industrial and residential. These steps would include freeing the industry of restrictive practices, reducing costs, revising the tax system and removing wartime limitations and controls.

2. That steps be taken to expedite the preparation by State and local governments of public works that might be undertaken during the immediate post-war reconversion period, to the end that these projects may be started without delay to provide jobs for veterans and displaced war workers.

3. For the reconversion period the committee's evidence indicates that State and local governments are in a better position to finance short-term projects than the Federal Government which is faced with continuing tremendous outlays resulting from the war while State and local governments have been greatly strengthened as a result of curtailed operations during the war period. Since the cost of public works falls upon the citizens in either case, there are many advantages in having local projects locally financed wherever possible. The Congress should make clear its position with respect to aid for State and local public work projects in the transition period in order that undertakings may not be delayed in the hope of securing greater Federal assistance at a later date.

4. The most effective direct contribution the Federal Government might make in the acceleration of employment in the construction industry appears to be in the role of providing incentives, through

grants-in-aid, to encourage or speed up plans and arrangements. The purpose of such grants would be to hasten the initiation of projects that might otherwise be delayed beyond the period of the immediate reconversion employment problems.

5. For the longer run the Federal Government, with its critical interest in the stablizing of employment, might well take steps to stimulate State and local agencies, and Federal agencies as well, toward the preparation of a reserve shelf of useful public work projects which can be put promptly into operation (or deferred) as economic conditions indicate. It has been suggested by the committee that a continuing Federal grants-in-aid program on a matching basis to assist in developing plans for approach to the whole public-work problem would be approriate. This should be done without awaiting a decision as to whether such works should be paid for out of Federal or State or local funds.

The committee intends to make further studies of the appropriate steps necessary to accomplish a stabilizing of the construction industry at a high employment level, and of the part which federally financed public works should play in such a program.

The committee recognizes that public works represent a spending of the people's money and that a commensurate public service resulting from these outlays is the least that can be expected. This public service must be recognized as consisting not only of the utilities realized from the physical facilities provided but also of the measure of stability which their execution and timing provides for employment and industrial activity.

The committee is opposed to the theory that large Government spending in itself can provide a satisfactory stimulus to sustained production and employment. It recalls at the peak of the Works Progress Administration program during the 1930's, not more than 4,000,000 people could be given employment, and that these were receiving only subsistence wages. Such Government spending went hand in hand with a low ebb of capital-plant expansion and new business creation. Moreover, the national debt at that time was less than $35,000,000,000. Today, with a national debt that may read $300,000,000,000 at the end of the war, we may be approaching the point beyond which any substantial increase in deficit spending is likely to undermine that confidence in the national credit without which our economic system cannot remain stable.

[78th Congress, 2d session, "Legislation for Reconversion and Full Employment"
December 18, 1944]

YEAR-END REPORT OF WAR CONTRACTS SUBCOMMITTEE OF COMMITTEE ON MILITARY AFFAIRS

III. Building the Post-war Economy

THREAT OF POST-WAR UNEMPLOYMENT

During the war, we have transformed our economy into an economic skyscraper of breath-taking magnitude. At present, our economy is producing goods and services at the rate of $196,000,000,000 a year. This compares with a gross national product of around $99,000,000,000—or only about half the size—in 1929.[1]

Almost half the framework supporting this giant structure consists of war contracts. When war contracts are withdrawn, the danger is that the entire edifice will topple over.

In considering the magnitude of this problem, we must remember that we have reached the present unprecedented level of production without the services of the more than 11,000,000 men and women in the Army and Navy. When the war is over, these people will want jobs. Moreover, during the war almost 7,000,000 individuals have been added to the civilian labor force. A large proportion of these, particularly women, will insist upon their rights to continued employment.

Unless an economic substitute is found for war contracts, mass unemployment will become a serious threat and the number of unemployed men and women in this country could easily surpass anything that was dreamed of during the last depression.

INADEQUACY OF EXISTING POST-WAR LEGISLATION

At various times one or another of the demobilization statutes have been discussed as though they represented a significant approach to the problems of post-war unemployment. Before passage of the Contract Settlement Act, for example, many manufacturers talked as though all they needed to assure a high level of post-war production was the quick settlement of their termination claims. In the same fashion, the coordination of war production cut-backs and the disposal of surplus war property have on various occasions been endowed with an importance which, in the light of cold analysis, they never deserved. The blunt fact is that all three measures are basically aimed at liquidating war production. They are purely transition measures—yes, important transition measures—but nothing more. None of them attempts to assure a sound post-war economy:

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[1] In 1929, prices in general averaged about the same as during the present year.

In addition to the three industrial demobilization laws, a number of other post-war measures have been enacted during the Seventy-eighth Congress. We have enacted a G.I. bill of rights. But its provisions are not yet fully adequate to meet the needs of returning soldiers and sailors. Although we have provided for loans to State unemployment compensation boards, we have done nothing to increase coverage under unemployment compensation and old-age and survivors insurance, to liberalize benefits, or to provide for health insurance. We have passed legislation to provide for a miscellaneous assortment of flood-control and rivers and harbors projects, but have postponed action to develop the river basins of our country in a courageous and comprehensive fashion under a Missouri Valley Authority, an Arkansas River Authority, and similar agencies in other areas. We have done little in the preparation of a post-war tax program, on the promotion of foreign trade, or in the adjustment of freight rates that discriminate against industrial activity in the South and the West. We have passed a road bill but have delayed action on post-war airports. We have not coming to grips with the problem of monopoly and international cartels. We have not yet mapped out post-war policies on the fundamental question of labor relations, wages, and prices.

As measured against the background of our economic needs, the post-war laws that have been enacted add up to very little. The balance sheet shows that the Seventy-eighth Congress never came to grips with the problem of providing an economic substitute for war production.

The repercussions of this failure have already been felt. Knowing that practically nothing has been done to provide for post-war employment, hundreds of thousands of war workers, vitally needed in the production of the weapons of war, have quit their war jobs and sought refuge in civilian industry and trade. It is incumbent, therefore, upon the Seventy-ninth Congress to map out a broad program of post-war legislation. This is essential not only to the preservation of our economy in the years to come, but also to our catching up on delayed schedules of war production.

60,000,000 JOBS: A PUBLIC RESPONSIBILITY

In January 1944 the President of the United States, in his message to Congress on the state of the Union, outlined an "economic bill of rights." The first point in this document was the following:

> The right of a useful and remunerative job in the industries, or shops, or farms, or mines of the Nation.

Ten months later, in an address at Chicago, the President stated that—

> to assure the full realization of the right to a useful and remunerative employment, an adequate program must provide America with close to 60,000,000 productive jobs.

Statisticians may debate among themselves as to whether the precise goal should be a little more or a little less than the President's 60,000,000 figure. But no thoughtful American—no matter what his creed or station in life—would deny that every man or woman in the country who is willing to work and capable of working has the right to a job.

As yet, unfortunately, we do not have in America an "adequate program" to provide 60,000,000 productive jobs. Nor will such a program develop out of thin air. The right to a job is not self-enforceable. It can be translated into reality only through the joint action of the people of our country—business, labor, agriculture, and all other groups—acting through the medium of their duly elected Government. In short, the so-called right to a job is a meaningless figure of speech unless our Government assumes responsibility for the expansion of our peacetime economy so that it will be capable of assuring full employment.

STRATEGY OF FULL EMPLOYMENT

The fight for full employment is a twofold battle.

On the one hand, the Government must do everything in its power to stimulate increased opportunities for employment in private enterprise. This is the major front.

On the other hand, to the extent that private enterprise cannot by itself assure full employment, the Government must take such measures as may be necessary to fill the gap.

A more precise way to describe the relationship between private and public activity is by examining the various types of investment and other expenditure that make up our total production of goods and services—technically referred to as "the gross national product."[2] As of the middle of this year, the gross national product, or total expenditures, amounted to about $196,000,000,000. As can be seen from table 1, this total is made up of the following:

	Billion dollars
Consumers' expenditures	95.5
Capital outlays of business	2.0
Expenditures by State and local governments	7.2
Expenditures by the Federal Government	91.6
Total	[1]196.4

[1] The comparable figure for the national income during the first half of 1944 is 155 billion dollars.

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[2] The gross national product, as calculated by the Department of Commerce, is at present the commonly used measurement of our Nation's total economic activity. When taxes and reserves are subtracted from the gross national product, the remainder is the "national income."

TABLE I.—*Expenditures for gross national product*

[In billions of current dollars—annual rates—calendar year] [1].

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944 [2]
Consumers:																
Durable goods (except housing)	9.9	8.1	6.3	4.2	3.4	4.8	5.7	6.7	7.6	6.0	6.4	7.4	9.1	6.4	6.5	6.3
Nondurable goods	35.6	32.5	27.9	22.0	21.6	25.1	27.4	31.8	32.8	30.3	32.6	34.4	40.1	48.0	55.2	59.0
Services (excluding rent) [3]	20.2	24.3	20.0	16.8	13.2	17.8	14.9	16.3	17.5	17.4	17.7	18.8	20.1	22.0	23.4	24.3
Rent	5.1				4.2		4.2	4.3	4.6	4.8	5.0	5.1	5.3	5.6	5.8	6.0
Subtotal, consumers	70.8	64.9	54.2	43.0	42.4	47.7	52.2	59.1	62.5	58.5	61.7	65.7	74.6	82.0	91.0	9.55
Business (capital outlays):																
Construction:																
Residential	3.6	1.8	1.5	.6	.4	.6	.9	1.4	1.7	1.8	2.0	2.4	2.9	1.5	.8	.8
Other	4.7	3.8	2.3	1.2	.9	1.0	1.2	1.5	2.0	1.5	1.6	2.0	2.5	1.5	.8	1.0
Producers, durables	7.3	6.0	4.2	2.4	2.1	3.1	4.0	5.2	6.3	4.5	5.5	6.9	8.9	5.1	3.1	4.0
Net increase on inventories	1.6	−.3	−2.0	−2.3	−.7	−.1	.2	2.2	1.1	−1.3	.9	1.8	3.5	−.5	−.5	−.6
Net foreign investment [4]	.4	.8	.4	.3	.6	.7	.4	−.3	.5	1.2	1.0	1.8	1.2	−.1	−2.1	−3.0
Subtotal	17.6	12.1	6.4	2.2	3.3	5.3	6.7	10.0	11.6	7.7	10.9	14.8	19.0	7.5	2.2	2.0
State and local government (adjusted)	8.3	8.8	8.7	7.8	6.5	5.9	8.0	8.0	7.5	7.6	8.1	7.9	7.8	7.3	7.2	7.2
Federal Government (adjusted):																
War											1.4	2.8	12.8	50.3	81.3	86.4
Nonwar											6.5	6.1	5.3	5.0	4.9	5.5
Subtotal, Federal Government	2.7	2.4	2.8	2.4	2.6	4.9	3.9	4.6	6.1	6.8	7.9	8.8	18.1	55.4	86.2	91.6
Total expenditures for gross national product	99.4	88.2	72.1	55.4	54.8	63.8	70.8	81.7	87.7	80.6	88.6	97.1	119.6	152.1	186.5	196.4
Addenda: Net national income	83.3	68.9	54.5	40.0	42.3	49.5	55.7	64.9	71.5	64.2	70.8	77.6	96.9	121.6	147.9	[5] 155.0

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[1] Detail will not necessarily add to totals because of rounding.
[2] Annual rate, based on second quarter.
[3] Includes rent for 1930–32 and 1934.
[4] Estimate includes net export of goods and services, net export of gold and silver, and net change in monetary stock.
[5] Annual rate, based on first and second quarters.

Source: Department of Commerce, Dec. 1, 1944.

If the gross national product is high enough after the war—in other words, if there is enough productive economic activity—there will be enough jobs for everyone. If the gross national product is too low, we shall have unemployment.

If we are to achieve full employment in the post-war period, therefore, the Government must assume the responsibility of seeing to it that gross national product is maintained at a high level. Some say that this calls for a post-war gross national product of $200,000,000,000 within a few years after the defeat of Japan. They point out that our productive capacities have increased enormously as a result of the war and should not be allowed to lie idle, particularly since there are vast sections of this country that remain undeveloped, and millions of our people whose standards of living are still too low.

In the opinion of your subcommittee, the question of what level of gross national product we should aim at is a direct concern of the Government. We believe that the Government should calculate the total of all investment and other expenditures—by consumers, by business, by State or local government, and by the Federal Government—needed to provide jobs for everybody.

We believe that the Government should give full and complete opportunity for an expansion of business investment and that it should promote increased consumer expenditures.

We believe that, to the extent that non-Federal expenditures do not provide the necessary total, the Government must develop an investment and expenditure program to make up the deficiency.

Only in this way can we be sure of providing an economic substitute for war production. Only in this way can we protect our economic structure from collapsing when the framework of war contracts is withdrawn.

A FULL EMPLOYMENT BILL

In August 1944, the president of the National Farmers Union, Mr. James Patton, submitted to your subcommittee a legislative measure designed to have the Government guarantee a $40,000,000,000 level of capital investment every year. While no action was taken upon this proposal, the chairman of the subcommittee had it printed in the form of an amendment to the pending war mobilization and reconversion legislation. In filing this amendment, he made it clear that he did not intend to call for action upon it at that time.

Subsequently your subcommittee forwarded copies of this measure to the various executive agencies and departments for comment. Letters were received expressing sympathy with the objectives of the measure from the Secretary of Agriculture, the Secretary of the Interior, the Secretary of Labor, the Bureau of the Budget, the Foreign Economic Administrator, the Price Administrator, and others. Many of the agencies objected to the specific $40,000,000,000 figure for capital investment and pointed out other shortcomings in the measure.

The subcommittee staff was thereupon instructed to make a careful study of the proposal and to draft a new measure which would meet most of the objections that had been raised. Accordingly, an entirely new bill was prepared, entitled "Full Employment Act of 1945."

Your subcommittee has not had sufficient time to make a complete study of this new bill and there is not time to make such a study during the remainder of this session. However, the bill is transmitted herewith, without commitment, for the purpose of stimulating discussion. Your subcommittee believes that it raises challenging problems concerning the economic future of our country and that the central concept of balancing our national budget by providing full employment merits the most careful analysis by the committee and the general public.

The right to a job.

The fundamental premise of the proposed bill is that every American has the right to a job. This is spelled out at the beginning of the declaration of policy (sec. 2(a)).

The declaration of policy also makes it clear that this right must be made meaningful by governmental responsibility to assure continuing full employment (sec. 2(b)). Finally, the policy is set forth of going as far as possible toward obtaining full employment without Federal investment and expenditure. It is made clear, however, that if full employment cannot otherwise be assured, the Government must provide whatever volume of Federal investment and expenditure is necessary (sec. 2(c)).

Balancing the National Budget.

To carry out the policy in section 2, the proposed bill sets up a new type of budget—a National Production and Employment Budget. This is done by establishing a new title in the Budget and Accounting Act of 1921 (sec. 3).

The National Production and Employment Budget deals with the total amount of investment and expenditure by all groups in the country—consumers, business, State and local governments, and the Federal Government. It is made up, on the one hand, of the total expenditures needed to guarantee full employment and, on the other hand, of prospective total expenditures. Obviously, if there were a deficiency of expenditures, the result would be unemployment.

Accordingly, a twofold program is set forth for balancing the National Production and Employment Budget.

First. There is to be a general program for encouraging increased non-Federal investment and expenditure. This may call for new policies or programs dealing with banking and currency, taxation, wages and working conditions, social security, and related fields.

Second. To the extent that this program may not be sufficient to balance the Budget, a second program is called for—a program of Federal investment and expenditure. This program would be "designed to contribute to the national wealth or well-being." It could include specific programs for assistance to business, public works, public services, conservation, and other public activities. A provision is added calling for the performance of all public construction work by private concerns.

The general outlines of both programs are to be submitted to Congress on the first day of each regular session, along with the regular Budget for the operations of the Federal Government.

The National Production and Employment Budget, together with the regular Budget, is to be prepared by the Bureau of the Budget under the direction of the President.

Joint Committee on the Budget.

At the present moment there is no single body within either House of the Congress which considers, in a comprehensive manner, the general contents of the President's regular Budget message. This situation has often been criticized by Members of Congress and students of the legislative process. It has often been suggested that a single joint committee, made up of members of the individual committees dealing with various aspects of the Budget, be set up to analyze budgetary policy as a whole.

It is the fundamental premise of the proposed bill that the Senate and the House of Representatives take an active and responsible part in the full employment program. Accordingly, a joint committee is created, composed of representatives from the appropriate individual committees to make a detailed study of the Budget message which is to be sent to Congress under this bill.

On the first day of each regular session, the President's Budget message would immediately be referred to the Joint Committee on the Budget. By March 1, at the very latest, this committee would be expected to introduce a joint resolution in both Houses of Congress. This resolution would set forth the general outlines of the Federal Budget for the next fiscal year, and would include expenditures, receipts, and borrowings. It could then be amended in any manner that the majority of Congress determines is appropriate. As finally agreed to, the resolution would serve as a general policy framework within which the individual committees of Congress could work on individual appropriation acts and tax measures.

A FULL EMPLOYMENT BILL

The text of the bill is as follows:

Section 1, This Act may be cited as "The Full Employment Act of 1945."

Declaration of Policy

Sec. 2. The Congress hereby declares that—

(a) Every American able to work and willing to work has the right to a useful and remunerative job in the industries, or shops, or offices, or farms, or mines of the Nation;

(b) It is the responsibility of the Government to guarantee that right by assuring continuing full employment; and

(c) It is the policy of the Government to assure continuing full employment by (1) encouraging, to the fullest extent possible without Federal investment and other expenditures, the highest feasible levels of employment by private enterprise, (2) providing whatever volume of Federal investment and other expenditure may be needed to assure continuing full employment.

Sec. 3. The Budget and Accounting Act of 1921, as amended, is hereby amended by inserting immediately following section 217 of title III a new title, to be title IV, which shall read as follows:

"Title IV. The National Production and Employment Budget

"Sec. 401. (a) In addition to the estimates and other information called for in section 201 of the Budget and Accounting Act of 1921, as amended, the President shall transmit to Congress on the first day of each regular session the National Production and Employment Budget (hereinafter referred to as the 'National Budget'), which shall set forth in summary and detail—

"1. The estimated number of jobs needed during the ensuing fiscal year or years to assure continuing full employment, and the estimated dollar volume of the gross national product, at the expected level of prices, required to provide

such number of jobs (hereinafter referred to as 'full employment volume of the gross national product');

"2. The estimated volume of investment and other expenditure by private enterprises, consumers, State and local governments, and the Federal Government required during the ensuing fiscal year or years to assure a full employment volume of the gross national product, and

"3. The estimated volume of prospective investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government during the ensuing fiscal year or years, and the estimates and information herein called for shall take account of such foreign investment and other expenditure for exports and imports as affect the volume of the gross national product.

"(b) If the estimated aggregate volume of prospective investment and other expenditure, as set forth in (a)3 of this section, is less than the estimated aggregate volume of investment and other expenditure required to assure a full employment volume of the gross national product, as set forth in (a)2 of this section, the President shall in the National Budget set forth a general program for encouraging increased non-Federal investment and other expenditures, particularly such investment and expenditure as will promote increased employment in private enterprises, together with such legislative recommendations as he may deem necessary or desirable. Such program may include, but need not be limited to, a presentation of current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and in such other topics as may directly or indirectly affect the level of non-Federal investment and other expenditure.

"(c) To the extent that such increased non-Federal investment and other expenditure as may be expected to result from actions taken under the program set forth in accordance with (b) of this section are insufficient to provide a full employment volume of the gross national product, the President shall include, in the Budget transmitted in accordance with section 201 of the Budget and Accounting Act of 1921, as amended, a general program of such Federal investment and other expenditure as will be sufficient to bring the aggregate volume of investment and other expenditure by private business, consumers, State and local government, and the Federal Government, up to the level required to assure a full employment volume of the gross national product. Such program shall be designed to contribute to the national wealth or well-being, and may include, but need not be limited to, specific programs for assistance to business enterprises, particularly small business enterprises; for useful public works, particularly such public works as tend to promote increased investment and other expenditure by private enterprises; for useful public services, particularly such public services as tend to raise the level of health and education; for slum clearance and urban rehabilitation; for conservation and development of natural resources; and for rural electrification. All programs calling for public construction shall provide for the performance of the necessary work by private concerns on the basis of contracts awarded in accordance with applicable laws.

"(d) The President may from time to time transmit to Congress such supplemental or revised estimates, information, programs, or legislative recommendations as he may deem necessary or desirable.

"Preparation of National Budget

"Sec. 402. (a) In addition to the duties imposed upon the Bureau of the Budget by section 207 of the Budget and Accounting Act of 1921, as amended, the Bureau, under such rules and regulations as the President may prescribe, shall—

"(1) With the assistance of the several departments and agencies, prepare for him the information and estimates called for in section 401;

"(2) Cooperate with the several departments and agencies in developing such estimates and programs as may be useful in guiding the preparation of the National Budget.

"(b) The President, through the Bureau of the Budget, shall issue such directives to the several departments and agencies as will enable them to prepare such plans and programs as may be needed during the ensuing or subsequent fiscal years to help achieve a full employment volume of the gross national product."

JOINT COMMITTEE ON THE BUDGET

SEC. 4 (a). There is hereby established a Joint Committee on the Budget, to be composed of six Members of the Senate, to be appointed by the President of the Senate from among the members of the Senate Committees on Appropriations, Finance, and Banking and Currency, and six Members from the House of Representatives to be appointed by the Speaker of the House of Representatives from among the members of the House Committees on Appropriations, Ways and Means, and Banking and Currency, with such party representation as will reflect the relative membership of the majority and minority parties in the Senate and the House of Representatives.

(b) It shall be the function of the Joint Committee on the Budget—

1. To make a detailed study of the information and estimates transmitted to Congress by the President on the first day of each regular session in accordance with section 401 and section 201 of the Budget and Accounting Act of 1921, as amended; and

2. To report to the Senate and the House of Representatives, no later than March 1 of each year, its findings and recommendations on the National Budget, together with a proposed joint resolution setting forth for the ensuing fiscal year a general policy on the total volume of Federal expenditures and other investment, the total receipts to be collected from taxes and other revenue, and the volume of borrowings or net debt retirement, for the purpose of serving as a guide to the individual committees of Congress dealing with such subjects.

(c) Vacancies in the membership of the committee shall not affect the power of the remaining members to execute the functions of the committee and shall be filled in the same manner as in the case of the original selection. The committee shall select a chairman and a vice chairman from among its members.

(d) The committee, or any duly authorized subcommittee thereof, is authorized to sit and act at such places and times, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words.

(e) The committee is empowered to appoint and fix the compensation of such experts, consultants, technicians, and clerical and stenographic assistance as it deems necessary and advisable, but the compensation so fixed shall not exceed the compensation prescribed under the Classification Act of 1923, as amended, for comparable duties. The committee may utilize such voluntary and uncompensated services as it deems necessary and is authorized to utilize the services, information, facilities, and personnel of the departments and agencies of the Government.

(f) The expenses of the committee shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers signed by the chairman.

AUTHORIZATION OF FUNDS

SEC. 5. There are hereby authorized to be appropriated such sums as may be necessary to eliminate any deficiency in the National Budget.

RATE OF EXPENDITURES

SEC. 6. (a) The President shall periodically review all Federal expenditures under appropriations for periods of more than one year for the purpose of ascertaining the extent to which the current and anticipated level of non-Federal investment and other expenditure warrants a decrease in such Federal expenditure.

(b) Subject to such principles and standards as may be set forth in individual appropriation acts and other statutes, the rate of Federal expenditure under appropriations for periods of more than one year may be varied to whatever extent and in whatever manner the President, acting through the Director of the Bureau of the Budget, may determine to be necessary for the purpose of assuring continuing full employment, with due consideration being given to current and anticipated variations in savings and in investment and other expenditure by private business, consumers, and State and local governments.

SEC. 7. Section 212 of the Budget and Accounting Act of 1921, as amended, is amended to read as follows:

"The Bureau of the Budget shall, at the request of any committee of either House of Congress, furnish the committee with such aid and information as it may request."

SEC. 8. Section 213 of the Budget and Accounting Act of 1921, as amended, shall apply with equal force to the provisions of this title.

SEC. 9. Nothing contained herein shall be construed as calling for or authorizing—

(a) The operation of plants, factories, or other productive facilities by the Federal Government;

(b) The use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower; or

(c) Any change in the existing procedures on appropriations.

DEFINITIONS

SEC. 10. As used in this Act—

(a) The term "full employment" means a condition in which the number of persons able to work, lacking work, and seeking work, shall be no greater than the number of unfilled opportunities to work, at locally prevailing wages and working conditions for the type of job available, and not below minimum standards required by law, and in which the amount of factional unemployment, including seasonal and technological unemployment, and other transitional and temporary unemployment, is no greater than the minimum needed to preserve adequate flexibility in the economy.

(b) "Gross national product" means the gross national production of goods and services, as calculated by the Department of Commerce.

(c) The term "Federal investment and other expenditure" includes all outlays made by any department or branch of the Government, including any independent agency or any corporation owned or controlled by the United States.

[From "Congress Makes a Law", Columbia University Press, Publishers]

ECONOMIC IDEAS AND POLITICAL BROKERS

(By Stephen Kemp Bailey)

> *Legislation is not a thing to be known beforehand. * * * It is an aggregate, not a simple, production. It is impossible to tell how many persons' opinions and influences have entered into its composition.—Wilson, "Congressional Government," p. 320.*

If the great depression and the war set the stage for the legislative drama of the full employment bill, they did not write the script. Necessity is the mother of invention but it is not the invention. In the realm of public policy the theories of experts and a variety of institutional and personal channels through which such theories gain political currency are necessary links between a social need and a resultant legislative proposal.

The full employment bill, as introduced, attempted to do four things: First, to establish once and for all the principle of the "right to work" and the Federal Government's obligation to assure employment opportunities for all those "able to work and seeking work"; second, to place responsibility on the President for seeing to it that the economy was purposively analyzed at regular intervals, and that the Congress was informed of economic trends and of the President's program to meet the challenge of those trends; third, in case the economic barometer read "stormy," to commit the Federal Government to undertake a series of measures to forestall serious economic difficulty—the measure of last resort being a program of Federal spending and investment which was to be the final guarantor of full employment; and finally, to establish a mechanism in Congress which would facilitate legislative analysis and action, and fix legislative responsibility for the carrying out of a full employment policy.

The full employment bill, then, was composed of (1) a statement of economic right and Federal obligation; (2) an economic program; and (3) governmental mechanisms for the effectuation of that program. The intellectual origins of these three segments of the proposed legislation are, in one sense, lost in the labyrinthian past. Historical causation is infinitely complex and elusive. In a study of this type we can deal with proximate influences only.

The proximate influences behind the concepts of economic right and Federal obligation, and behind the suggested governmental mechanisms will not be analyzed separately for reasons which will become clear as the story unfolds. Special attention must be given at this point, however, to the economic assumptions underlying the full employment bill.

THE CONTRIBUTION OF KEYNES

There are few who would question the contribution of John Maynard Keynes to the theoretical underpinnings of the full employment bill. Care should be taken, however, in assigning his proper historical role. Keynes was not the inspired prophet of a new mystical theology. He was the great verbalizer and rationalizer of a theoretical attitude which was being forced, by the cold facts of the depression experience, upon a number of European and American economists. In the discussion which follows it should be appreciated that the name of Keynes is being used as a symbol for an intellectual movement. This movement is personalized for reasons of stylistic simplicity. Any other approach would necessitate an impossibly complicated delineation of economic theory and policy from Malthus through men like Veblen and J. A. Hobson to the articles, reviews, books, and experiences which "pre-Keynesed" Keynes during the twenties and thirties.

It is true, of course, that there was more to the economic substance of S. 380 than the contributions of one particular intellectual movement. The full employment bill doffed its hat to a whole series of economic policies and activities dealing with "banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure." That these are mentioned is a tribute to the halting, experimental, and often contradictory policies of the Federal Government during the decade of the thirties, and to the various often unrelated economic ideas which stimulated these policies.

It is also true that a vast amount of indigenous conceptual thinking of a statistical nature led up to the bill's references to the "gross national product" [1] and the "national budget." [2]

But the bill's terminal reliance upon a program of Federal investment and expenditure cannot be understood without an appreciation of the theoretical contributions of the late Lord Keynes and the movement of which he was a symbol.

Keynes "General Theory of Employment, Interest, and Money."—Keynes's general theory,[3] one of the great watersheds in the history of economic thought, was an attack upon the basic concept of "classical" and "neoclassical" economic thought that the free market capitalistic economy was a self-adjusting mechanism which tended to produce a condition of full employment and a maximum utilization of economic resources. Unemployment, to the classicist, was due to rigidities and imperfections in a system which subsumed perfect competition, perfect mobility of labor and capital, and perfect knowledge on the part of decisionmakers. Saving was a major economic virtue, since all savings tended to be invested in the development of new capital goods, which in turn brought employment and increased productivity. The possibility of utilized savings was discounted since it was believed that, given a tendency in that direction, the interest rate would fall, and a low rate of interest would stimulate further investment. It would also encourage consumer spending, which would in turn stimulate business expansion. Conversely, if savings tended to fall in relation to the demand for investment capital, the rate of interest would rise, coaxing a greater proportion of income into savings. It was a neat theory, but to many it seemed hardly adequate to meet the demonstrated facts of life in the Britain of the twenties and thirties, and the America of the thirties, where, theory or no theory, a vast amount of involuntary unemployment existed and the economic system showed few signs of moving automatically toward the full utilization of resources.

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[1] The work of the National Bureau of Economic Research and particlarly of Simon Kuznets is of historical importance. For a discussion of some of these statistical concepts see U.S. Department of Commerce, "Income in the United States, 1929–35" (Washington, 1936), pp. 1–20; Simon Kuznets, "National Income and Capital Formation, 1919–35" (New York, National Bureau of Economic Research, 1937), pp. 1–7; and National Bureau of Economic Research, "Studies in Income and Wealth" (New York, 1939), vol. I. See also, Simon Kuznets, "National Income and Its Composition, 1919–38," National Bureau of Economic Research (New York, 1941).

[2] The concept of a national budget in the sense in which it is used in S. 380 was developed particularly by the Fiscal Division of the Bureau of the Budget in the early 1940's (see below, and see Grover W. Ensley, "A Budget for the Nation," Social Research X, No. 3 (September 1943), 280–300). During the 1930's, however, the National Resources Planning Board and its predecessors had done a lot of spadework in this conceptual field. Beardsley Ruml was a particularly important catalyst. The books of Charles Beard and G. H. E. Smith on foreign policy, especially "The Idea of National Interest" (1934) and "The Open Door at Home" (1935) move in the direction of a national budget concept. See also Stuart Chase, "Goals for America" (New York, Twentieth Century Fund, 1942).

[3] John Maynard Keynes, "The General Theory of Employment, Interest, and Money" (London, 1936).

One of the most adequate short analyses of Keynesian theory has been made by Sir William Beveridge (now Lord Beveridge) in his book "Full Employment in a Free Society"[4]:

> The gist of the new approach to the problem of employment * * * can be put shortly. Employment depends on spending, which is of two kinds—for consumption and for investment; what people spend on consumption gives employment. What they save—i.e., do not spend on consumption—gives employment only if it is invested, which means not the buying of bonds or shares, but expenditure in adding to capital equipment, such as factories, machinery, or ships, or in increasing stocks of raw material. There is not in the unplanned market economy anything that automatically keeps the total spending of both kinds at the point of full employment, that is to say, high enough to employ all the available labor. Adequate total demand for labor in an unplanned market economy cannot be taken for granted.
>
> According to the Keynesian analysis, the possibility of prolonged mass unemployment lies in the fact that decisions to save and decisions to invest are made by different sets of people at different times and for different reasons and thus may get out of step. The amount which any community will try to save is governed, not primarily by the outlets for saving—i.e., the opportunities for investment—but by the total income of the community and its distribution; broadly speaking, if incomes are evenly distributed, less will be saved out of the total than if they are unevenly distributed. The amount which any community will seek to invest is governed, not primarily by the amount of savings available for investment, but by expectation of profits. Savings and investment do not start with any initial tendency to march in step and there is no automatic painless way of keeping them in step or bringing them together if they fall out. The rate of interest, which was supposed to serve this purpose, of regulating automatically the processes of saving and investment, fails to do so. If savings are tending to outrun investment, the rate of interest will fall only after a severe decline in the national income * * *.
>
> The argument, it will be seen, is not that the savings of a community in total can outrun the investment. In the sense in which these terms are used in the Keynesian analysis the total savings that a community is, in fact, able to make, can never exceed the total invested; if a number of individuals in the community together try to save more than is being invested, the income of other members of the community will be correspondingly reduced; their losses in poverty and unemployment, their spending of former savings or running into

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[4] (New York, W. W. Norton, Inc., 1945), pp. 93–95. Reprinted by permission of the publishers.

debt will cancel out some of the savings of others and will thus reduce the total savings of the community to that which can be spent in investment * * *.

The Keynesian analysis attacks directly and destroys one of the economic harmonies between savings and investment through the rate of interest, which according to the older theory were assumed to keep the free capitalist system in prosperous equilibrium, with the demand for labor painlessly adjusted to the supply of labor. It destroys incidentally another of these harmonies also—the assumption made by Professor Pigou in 1913 that wage rates could be so adjusted as to abolish unemployment completely, and the inference that in any given situation employment could be increased directly by a general reduction of money wages.

In the shortest possible compass, the Keynesian analysis added up to a reminder that if people stop consuming and stop investing, national income, which according to the Keynesian formula is the sum of consumption and investment, is bound to fall; that the only way to increase national income is by means of increasing either consumption expenditures or investment expenditures or both, and finally, that there are governmental means of doing this in case private enterprise by itself cannot or will not do it.

The impact of Keynes on American thinking.—Keynes' "General Theory" was published in 1936 and gained currency in America just as the recession of 1937 was in the process of undermining the Government's belief that the economy would permanently recover on the basis of a few intravenous injections of purchasing power. To many American economists in and out of the Government, Keynes' analysis provided a theoretical summation of the reasons for the failure of the American economy to recover from the depression. Suddenly everything was clear: An economic plateau had been reached in the United States far below the level of full employment; there was no automatic mechanism within the system which would tend to produce the maximum utilization of resources; full employment could not be reached, consequently, unless the Government undertook positive measures on a continuing basis.

With this analysis in mind, American economists and other policy planners began to reevaluate the New Deal program and to search for the underlying causes of the economic stagnation. The redistribution of income through steeply graduated income taxes, inheritance taxes, and undistributed profits taxes, came to be recognized, not simply as a matter of social justice, but as a positive economic good—since, as Keynes had pointed out, high-income groups save proportionately more (and consequently spend proportionately less) of their income than low-income groups. The 1937 recession came to be explained on the basis, not that Government spending had failed, but that it had not been tried on sufficient scale. Budget balancing as a goal came to be discredited, and a vast literature began to grow around the idea that public borrowing for the purpose of increasing investment and consumption would so raise the national income that the increasing debt burden could be carried with relative ease. Monopolistic elements in the industrial structure came to be viewed in the light of the impact of monopoly upon the rate of saving. As one economist has put it, "a regime of monopoly means high profits which tend to be hoarded; a regime of competition means lower profits which tend to be employed."[5]

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[5] Moses Abramovitz, "Savings and Investment: Profits versus Prosperity?" The American Economic Review, pt. II (supplement), June 1942, p. 88.

All the New Deal attempts to raise purchasing power, promote public works, and foster the development of natural resources came to be endorsed, not just as necessary depression expedients, but as part of an inclusive long-term program of Government investment, expenditure, and control, based upon the Keynesian analysis.[6]

In defense of the reason that private enterprise could not take care of idle savings on its own and thereby obviate the necessity of all this Government activity, the American Keynesians built up what has come to be called the maturity thesis. One lucid statement reads as follows:

> We reach the conclusion that the expansion of the 19th and early 20th centuries was based on building for the future, which carried with it an adequate demand for consumable goods and services in the present. Building for the future was good business in an expanding economic universe with a rapidly growing population. When the limits of expansion had been reached, when the rate of population growth slowed down, building for the future became an increasingly hazardous adventure. Its volume contracted and with it the ability to buy in the present. Expansion fed upon itself in the past; contraction feeds upon itself in the present. These are the basic changes which underlie the reversal of trend from 1929 to the present.[7]

The opposition.—The analysis of the American Keynesians met with stout opposition from businessmen and from non-Keynesian economists. And of course there developed hot intrammural fights within the Keynesion fraternity itself. The business community in general called the "maturity" thesis rediculous, classifying it as old and discredited hogwash,[8] and claiming that the economic stagnation about which the Keynesians talked, was purely and simply the result of unsettling and hostile New Deal policies. A letup on "soak the rich" taxes, a decrease in Federal expenditures, a reduction in the national debt, a curtailing of the "irresponsible" power of organized labor and other measures favorable to business confidence, would, they claimed, open the road to business expansion, full employment, and general prosperity.

The depression experience, and Mr. Keynes, set off a long debate which has by no means ended. The impact of Keynesian thinking on Federal policies was only slightly, even if clearly, noticeable prior to the war, but its influence on the postwar employment planning which developed during the war, was, as we shall see, enormous. Although the major exponent and modifier of Keynesian theory as applied to American problems was Professor Alvin Hansen of Harvard, hundreds of economists and Government policy planners had come by the end of the thirties to accept the Keynesian analysis as the new orthodoxy. Like most disciples, they sometimes misunderstood and frequently reinterpreted the master, but they paid him homage even in their defections. In spite of, and perhaps, on occasion, because of, the general hostility of the business world to the anaylses and projected program of American Keynesians, the influence of the latter continued to grow.

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[6] In this connection the work of the Fiscal and Monetary Advisory Board appointed by President Roosevelt on Nov. 18, 1938, should be noted. The Board consisted of the Secretary of the Treasury, chairman; Marriner Eccles of the Federal Reserve Board; Acting Budget Director, D. W. Bell; and Frederick A. Delano, Chairman of the Advisory Committee of the National Resources Committee. With the staff help of Washington economists like Lauchlin Currie and Leon Henderson, the Board was instrumental in the drafting of the abortive spend-lend bill of 1939, probably the first legislative proposal firmly grounded in Keynes' "General Theory." The impact of Keynes on the New Deal is briefly discussed in Henry Morgenthau, Jr., "The Morgenthau Diaries," Colliers, Oct. 4, 1947, p. 21. For a recent and comprehensive analysis of the contributions of Keynes to economic theory and public policy see Seymour Harris, ed., "The New Economics" (New York, 1947).

[7] Seven Harvard and Tufts Economists, "An Economic Program for American Democracy" (New York, Vanguard Press, 1938), p. 22. Reprinted by permission of the publishers.

[8] See George Terborgh, "The Bogey of Economic Maturity (Chicago, 1945), ch. V.

KEYNES TO S. 380: CONNECTING LINKS

Between Keynes and the full employment bill were intellectual middlemen whose job it is to weld theory and policy. Special mention must be made of four organizations in this connection, two private and two public; the National Planning Association, the National Farmers Union, the Fiscal Division of the Budget Bureau, and the National Resources Planning Board.

The National Planning Association.—This association, which has its headquarters in Washington, D.C., was incorporated during the early days of the New Deal "for the purpose of bringing together responsible leaders of major economic groups, both within and without the Government"[9] to study and recommend for consideration plans for copying with the future. Its main function has not been basic research, although original material often appears in its monographs. But NPA has been one of the most important policy catalysts in Washington. Its board is made up of 21 representatives of business, agriculture, and labor and is meant to represent all phases of American economic life. "All phases" does not mean "all points of view," however, and the list of names on its board and committees is sufficient to indicate the association's liberal leanings.

In general, NPA, while by no means ignoring the policy issues of the moment, attempts to anticipate the policy problems of tomorrow Taking 1943 as a typical year, NPA concentrated its attention on such issues as war contracts, surplus property, the use and disposition of Government plants, the organization and structure of agriculture after the war, international relief problems, the influence of tax laws on war and postwar reserves for industry, savings, income, and investment, and the work of labor-management committees.

Under the executive direction of E. J. Coil, the NPA has influenced national policy through its short, clearly written pamphlets and through association-sponsored luncheons and discussion meetings, which are often attended by some of the most important policy figures in Washington. It is sufficient to note here that although the major NPA study on the full employment issue[10] did not appear until early 1945, it had been in progress for over a year, and was the product of the cooperative effort of a number of important Washington technicians. As we shall see, participants like Louis Bean, Gerhard Colm, Mordecai Ezekiel, and Samuel Thompson loom large in the history of the full employment bill. So do names like Alvin Hansen, Beardsley Ruml, and James G. Patton of the association's board of trustees.

Essentially the NPA attitude toward the full employment problem was based upon Keynesian assumptions. It is not too much to say that its two main studies on full employment, "National Budgets for

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[9] U.S. Senate, "Postwar Economic Policy and Planning," p. 56.

[10] National Planning Association, "National Budgets for Full Employment," Planning Pamphlets Nos. 43 and 44 (Washington, 1945).

Full Employment," and John Pierson's "Fiscal Policy for Full Employment"[11] represented the forefront of Keynesian thinking among prominent Washington economists.

The National Farmers Union.—Of the three major farm organizations in the United States, the National Grange, the American Farm Bureau Federation, and the National Farmers Union, only the Farmers Union worked on overall postwar economic planning, and even this organization's work—although crucial in terms of our story—was fragmentary. It was true of course that the Farm Bureau and the Grange, through their legislative representatives in Washington, conducted research and took positions on a number of important pending bills which were concerned directly or indirectly with postwar questions. It is also true that the Grange established a Postwar Agricultural Planning Committee and a Public Welfare and International Agricultural Committee, but neither of these issued any reports.

For that matter, the National Farmers Union had no continuing committee on postwar problems. Their postwar planning was done by their regular staff, Gardner Jackson, Robert Handschin, Paul Sifton, and Russell Smith, in the union's Washington office. These four, who had come from a variety of New Deal and labor backgrounds, sparked a broadly based liberal program which was dramatized nationally by the Farmers Union president, James Patton. The general theme running through all the public statements of the union, regardless of the particular reconversion or postwar issue under consideration, was that farmers could not disassociate themselves from regardless of the particular reconversion or postwar issue under consumers and workers was bound to be good for the farmers; and that the Federal Government had the major responsibility, with the cooperation of all important economic interests of the Nation, for planning the abundant life.

In April 1944 Patton was asked to testify on the Kilgore reconversion bill and other pending reconversion legislation being considered by the Senate. In its original form, the Kilgore bill (S. 1823) was an ambitious and far-reaching measure.[12] A new Office of War Mobilization and Adjustment ("Adjustment" was later changed to "Reconversion") was to be established with executive responsibility for all reconversion activities. This Office was to include a "Bureau of Programs" which would be responsible for "full employment and full production planning." Furthermore, the bill asked for a greatly extended unemployment compensation program, which it was hoped would serve the double function of insuring against disastrous economic instability as a result of reconversion and of giving advance notice to management that it would not be able to break the back of organized labor with the club of starvation. This, it was felt, would lead to orderly wage adjustments through peaceful collective bargaining.

In his testimony before the Senate subcommittee, Patton made a strong statement to the effect that the Kilgore bill, like other reconversion legislation under consideration by the War Contracts Subcommittee of the Senate Committee on Military Affairs, was woefully inadequate. Even on the subject of the Bureau of Programs, Patton was caustic:

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[11] Planning Pamphlet No. 45 (Washington, 1945).
[12] 78th Cong., 1st sess.; introduced Mar. 29, 1944.

> Mr. Chairman, this is the polite and accepted formula for delaying action—another study, another set of recommendations, more hearings, and perhaps, years from now, after our wartime machinery of production for abundance has been broken, dispersed, and destroyed, after we have fumbled the transition from war to peace production, after a possible postwar boom has fallen into a disastrous tailspin, a minor bureau of an emergency office having no definite tenure of life may make recommendations, which, were they to be considered and acted upon now, would save us incalculable human and material losses in the years ahead. Here in this brief paragraph are lumped our most important national problems of the century. Their analysis and solution cannot safely be postponed. It is to these problems that we should address ourselves now, not later.[13]

Patton summed up his position with the words: "I propose * * * the positive goal of the permanent planning of the economy for full employment."

Russell Smith, legislative representative of the Farmers Union, was in the hospital in April 1944 following a severe automobile accident. A former newspaperman and a former public servant in the Bureau of Agricultural Economics and the Board of Economic Warfare, Smith was familiar with the thinking of Keynes and Hansen and the various schools of American Keynesians in Washington. On the basis of the Patton statement before the War Contracts Subcommittee, and his own appraisal of the inadequacy of the Kilgore bill, Smith jotted down notes for a broad employment program in which the Federal Government would underwrite the total national investment necessary to insure full employment. When he left the hospital in June, he discussed this outline with a few friends, including Louis Bean of the Budget Bureau. Bean suggested on the basis of National Bureau studies that the yearly proportion of investment to the gross national product had averaged in the past about 1 to 5. He recommended, therefore, that if Smith were aiming at $200 billion gross national product he should shot at a $40 billion total national investment. Bean further suggested that Smith work out a full written statement of his plan which might be discussed with an informal group of Government economists.

With this encouragement, Smith drafted a statement which was presented, as planned, at one of Bean's weekly "bull sessions." Present at the lunch were Mordecai Ezekiel of the Bureau of Agricultural Economics, Geoffrey Shepard of the CED and the Commerce Department, Gerhard Colm of the Fiscal Division of the Budget Bureau, and others. These economists were prolific with criticisms, but they were unanimously behind Smith's goal of arousing public discussion.

Smith rewrote his draft, incorporating some of the suggestions of the luncheon group, and then talked with Alvin Hansen. Hansen disagreed with the $40 billion investment figure (he felt it was too high), but he had no basic fault to find with Smith's approach. This was of course to be expected, since Smith's draft was based to a large extent on the employment theories of Keynes and Hansen. After more thinking and writing, Smith discussed his draft with Patton and it was finally decided to submit the draft as an amendment to the Kilgore bill.

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[13] National Farmers Union, "Statement Prepared for the Senate Military Affairs Committee Hearing," press release, Apr. 14, 1944.

In outline, the so-called Patton amendment[14] provided that the Joint Committee on Internal Revenue Taxation, with the help of appropriate Government agencies, should make annual studies of prospective total investment in the Nation and determine to what extent that prospective investment would fall below $40 billion. When that deficiency figure was determined, the committee through the President of the Senate and the Speaker of the House would notify the Reconstruction Finance Corporation of the amount of loans to be made available to private industry and State and local governments in order to reach the $40 billion total investment required to produce full employment. If such loans were not applied for or utilized in sufficient quantity to bring about full employment, Congress would then appropriate for public works and other Federal projects the amount of money necessary to accomplish the stated end.

We shall discuss the important ramifications of the Farmers Union amendment in the following chapter.

The Fiscal Division of the Bureau of the Budget.—The Budget Bureau, under the leadership of Harold Smith, began as early as 1939 to think of the budgetary process in the broader context of Government fiscal policy and economic program formulation. In 1939, a Fiscal Division was established in the Bureau to examine "questions of fiscal policy and [to give] staff assistance in the formulation of the President's financial program."[15]

Under the intellectual guidance of J. Weldon Jones, Gerhard Colm, Arthur Smithies, and Grover Ensley, the Fiscal Division during the war years gradually evolved a conception of the "Nation's Budget" which found its way into the President's budget message of January 3, 1945.[16] The concept of the Nation's budget was a logical offspring of Roosevelt's statement in January 1941 that "the Budget of the United States presents our national program. It is a preview of our work plan, a forecast of things to come. It charts the course of the Nation."[17] What had been added by 1945 was an official recognition of the essentially Keynesian proposition that the Federal budget should be used to contribute to the larger context of the total national economy. An analysis of the budget messages from 1940 to 1945 gives a clear indictation that the annual budget was on its way to becoming an important instrument of national policy programing in the economic field. In one sense, the full employment bill of 1945 was an effort to give statutory recognition and encouragement to an activity which had been pioneered by the Fiscal Division of the Budget Bureau. It was no accident that the closest cooperation developed between the Fiscal Division and the congressional staff charged with the drafting and legislative handling of the full employment bill.

The National Resources Planning Board.—This Board, which grew out of the National Planning Board of the Public Works Administration was originally created by President Roosevelt in 1934. According to George Galloway, it "was substantially the projection of the Advisory Council, proposed by President Hoover's Committee on Recent Social Trends."[18] During the thirities, the Board "made fundamental studies and contributions to intelligent national policy in relation to land use, water use, mineral and energy use; by board programing of public works; scientific studies of population trends, of the social effects of inventions, of research as an actual resource; of regions and cities; reports upon the structure of our national economy, of consumer expenditures and consumer income."[19]

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[14] See National Farmers Union press release for Monday a.m., Aug. 7, 1944.

[15] Fritz Morstein Marx, "The Bureau of the Budget: Its Evolution and Present Role," I, American Political Science Review, August 1945, p. 684.

[16] "The Budget of the U.S. Government for the Fiscal Year Ending June 30, 1946" (Washington, 1945), pp. xxiv–xxvii.

[17] "The Budget of the U.S. Government for the Fiscal Year Ending June 30, 1942" (Washington, 1941), p. xiv.

Under the Reorganization Act of 1939, the NRPB was placed in the newly created Executive Office of the President and became the central long-range planning agency for the executive branch. The Board used the services of experts in the various Government departments as well as recognized authorities in various professions, in the preparation of its reports. It remained relatively cloistered from the rough and tumble of congressional politics—perhaps too cloistered for its own eventual good—but it was both a reflection of and a contributor to the liberal social thinking of President Roosevelt.

During the late thirties the Planning Board was one of the great centers of Keynesian thinking. In the deliberations and recommendations of its Industrial Committee, in its quarterly reports to the President on employment trends (pursuant to the Federal Employment Stabilization Act of 1931), and in it growing concern with inventories of the total economy, it was a major catalyst and reagent in the field of progressive economic thought.

On March 10, 1943, President Roosevelt transmitted to Congress two massive reports prepared by the NRPB dealing with postwar policy.[20] The first, 400,000 words long, was called "Security, Work, and Relief Policies"; the second, which was considerably shorter, was on national resources development. We are here concerned with the former.

"Security, Work, and Relief Policies" was an elaborate program which rested on what the Board called a new bill of rights:

> 1. Right to work, usefully and creatively through the productive years.
> 2. The right to fair pay, adequate to command the necessities and amenities of life in exchange for work, ideas, thrift, and other socially valuable service.
> 3. The right to adequate food, clothing, shelter, and medical care.
> 4. The right to security, with freedom from fear of old age, want, dependency, sickness, unemployment and accident.
> 5. The right to live in a system of free enterprise, free from compulsory labor, irresponsible private power, arbitrary public authority, and unregulated monopolies.
> 6. The right to come and go, to speak and to be silent, free from the spying of secret police.
> 7. The right to equality before the law, with equal access to justice in fact.
> 8. The right to education, for work, for citizenship, and for personal growth and happiness.
> 9. The right to rest, recreation, and adventure, the opportunity to enjoy and take part in an advancing civilization.[21]

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[18] George B. Galloway and associates, "Planning for Amercia" (New York, 1941), p. 493.

[19] Ibid.

[20] These studies were prepared in response to a directive sent by President Roosevelt to the NRPB on November 12, 1940, instructing that agency "to collect, analyze, and collate all constructive plans for significant public and private action in the postdefense period insofar as these have to do with the natural and human resources of the Nation." "After Defense—What?", NRPB pamphlet on postdefense planning (Washington, 1941), p. 9.

[21] New York Times, Mar. 11, 1943, p. 12.

In order to achieve these goals in the postwar years, the Board suggested a broad social security program, a national health and education program, a permanent policy of large-scale public works, comparatively heavy taxation (emphasizing individual incomes and inheritances), and effective measures against monopoly. The program was fundamentally Keynesian in its economic assumptions,[22] and represented, perhaps better than any other single document of the war years, the cutting edge of progressive postwar thinking in the Federal Government. It was a powerful impetus to those forces which 2 years later combined to make possible the introduction of the full employment bill. For its prophetic ideas, however, the NRPB was killed by congressional action in an appropriations bill 3 months after its postwar report had been issued.[23]

What we have seen so far is sufficient to indicate that the background of the full employment bill was composed of a national, even worldwide, economic experience; of popular wartime fears about the postwar world; and of the impact of particular economic ideas, especially those of Lord Keynes, upon certain public and private planners in this country. Most of this picture has been snapped at a considerable height and has revealed only the broadest contours. We must now dive close to the ground and photograph the U.S. Congress at work on postwar problems during the late war years. In these close-ups, we will find the legislative origins of the full employment bill of 1945.

The Legislative Branch and the Struggle Over Reconversion Policy

There was more than coincidence in the fact that the first congressional postwar planning committee was established in the Senate 2 days after the publication of the National Resources Planning Board report. It is true that Senator George of Georgia had introduced a resolution to create such a committee a month earlier,[24] but the appearance of the NRPB report seemed to galvanize the Senate into action. On March 12, that body without a word of debate created a Special Committee on Postwar Economic Policy and Planning under the chairmanship of Senator George. The George committee, and its "opposite number," the Colmer committee, established by the House early in 1944,[25] were chaired by men who had little sympathy for the type of program outlined by the National Resources Planning Board. The consequence was that many of the committees' postwar recommendations, which appeared in various annual and special reports, reflected the policy platforms of conservative interests.

These special committees were not to usurp the regular legislative functions of the various standing committees, but were to "investigate and report to Congress upon all matters relating to postwar economic policy and problems * * * to the end that Congress may be * * * in a position to formulate solutions with respect to them."[26] In spite of the fact that these committees were concerned indirectly with a tremendous amount of legislation dealing with reconversion and other postwar problems, their official statements were often couched in such vacuous language, and so many other forces were at work in the development of postwar programs, that it is difficult to say how far their influence actually extended.

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[22] See "Charter for America," The New Republic, pt. II, Apr. 19, 1943, p. 523.

[23] 57 Stat. 170, June 26, 1943.

[24] S. 102, 78th Cong., 1st sess.

[25] H.R. 408, 78th Cong., 2d sess.

[26] U.S. House of Representatives, "Postwar Economic Policy and Planning," 11th Report of the House Special Committee on Postwar Economic Policy and Planning, H. Rept. No. 2729, 79th Cong., 2d sess. (Washington, 1946), p. 1.

The work of the postwar planning committees cannot be understood without reference to the problems facing Congress as a whole in 1943 and 1944. Group pressures being what they are in our national life, it is not surprising that Congress should have found itself by the middle years of the war being urged to consider those problems which reflected the haunting reconversion worries of diverse economic interests. Business was particularly concerned about the termination of war contracts and the disposal of surplus property; labor, about transitional unemployment and postwar earnings. By late 1943, two things were becoming increasingly clear to certain Members of Congress.[27] One was that specific legislation would be needed to handle these problems; the other was that some special Federal mechanism, or mechanisms, would have to be established to administer reconversion policy.

This latter belief had more behind it than a ready appreciation that laws do not administer themselves. Mobilizing the resources of the Nation for war had been an awkward and a halting process, and an early failure to provide for administrative coordination of war controls had resulted in waste, duplication, delay, and mismanagement. Furthermore, since the instrumentalities of mobilization could not be separated from the instrumentalities needed for demobilization, it became obvious to a number of legislators that intelligent planning for reconversion was dependent to a large extent upon a more effective administrative pattern for waging war. As the Tolan committee on Defense Migration put it as far back as 1941, "It is the belief of this committee * * * that many of the most important decisions regarding the postwar world are being settled daily by those in charge of our organization to wage this war."[28] Consequently, it was with postwar as well as wartime problems in mind that the Kilgore-Pepper-Tolan bill to establish an Office of War Mobilization was introduced late in 1942 and was reintroduced with a larger sponsorship early in 1943.

On May 28, 1943, partly in response to congressional pressure, President Roosevelt established an Office of War Mobilization by Executive order. To those in Congress who were worrying about reconversion problems, the issue then became one of trying to define what relationship, if any, should exist between projected reconversion policies and the activities of the newly created Office of War Mobilization. The Office itself was sufficiently concerned about this problem to establish on November 6, 1943, a new unit, headed by Bernard Baruch, to "deal with war and postwar adjustment problems and to develop unified programs and policies to be pursued by the various agencies of Government concerned."[29]

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[27] Some legislators were concerned much earlier than this, notably Senators Kilgore, Murray, Pepper, and Truman, and Congressman Tolan. It is also interesting to note that Senator Wagner introduced a joint resolution to establish a postemergency Economic Advisory Committee as early as Jan. 9, 1941 (S.J. Res. 16, 77th Cong., 1st sess.).

[28] U.S. House of Representatives, "Final Report of the Select Committee Investigating National Defense Migration," H. Rept. No. 3, 77th Cong., 1st sess. (Washington, 1941), p. 17.

At the congressional end, an almost unbelievably confusing struggle developed in the Senate for control of postwar legislation. Senators Kilgore, Murray, and George and their respective staffs spent most of late 1943 and early 1944 jockeying for position in the race to dominate reconversion policy. The three-cornered struggle was due partly to differences in philosophy, partly to senatorial and staff jealousies. In the simplest language, here is the story of the struggle over reconversion legislation as it developed chronologically from September 1943, to August 1944. The story is of vital importance to an understanding of the genesis of the full employment bill.

CAST OF MAJOR CHARACTERS

Senator James E. Murray, of Montana, chairman of the War Contracts Subcommittee of the Senate Military Affairs Committee; Bertram M. Gross, staff director of the War Contracts Subcommittee; Senator Walter F. George, of Georgia, chairman of the Senate Committee on Postwar Economic Policy and Planning, and chairman of the Senate Finance Committee; Scott Russell, counsel for the Senate Committee on Postwar Economic Policy and Planning; Senator Harley M. Kilgore, of West Virginia, chairman of the War Mobilization Subcommittee of the Senate Military Affairs Committee; and Herbert Schimmel, chief of investigations for the War Mobilization Subcommittee.

Scene 1: In September 1943, a War Contracts Subcommittee of the Military Affairs Committee was appointed to consider contract settlement legislation. While the subcommittee staff was at work in the fall and early winter of 1943–44 preparing basic material for an eventual bill draft, the George Postwar Planning Committee was holding hearings on the general problem of contract settlement. In order to keep track of what the George committee was doing, and perhaps in order to insure the support of a conservative Congress, Senator Murray asked Senator George to become a cosponsor of the then embryonic contract settlement bill being worked up by the War Contracts Subcommittee staff. George agreed, and on February 11, 1944, a Murray-George omnibus contract settlement bill was introduced on the floor of the Senate.[30] The bill provided for an Office of Contract Settlement under a Director to be appointed by the President. The new Office was apparently to be competely separate from the Office of War Mobilization.

Scene 2: In the meantime, starting in November 1943, Senator Harley M. Kilgore had set his staff to work on an omnibus reconversion bill which would place special emphasis upon a planning and administrative mechanism in the Federal Government to oversee the orderly liquidation of the war economy, ease the "human side of reconversion," and plan for the future. Herbert Schimmel, chief of investigations for the War Mobilization Subcommittee, came up with a preliminary recommendation which bypassed the OWM issue completely. What Schimmel suggested was a permanent three-pronged secretariat to the Presidential Cabinet, superseding the present Bureau of the Budget. One division would be devoted to overall fiscal analyses; a second, to be called a Bureau of Programs, to the formulation of broad economic policy; and the third, to the coordination of that policy relative to departmental and congressional action. It was obvious after short consideration, however, that a major governmental reorganization of this type would be politically impossible in the middle of a war. Schimmel then turned his efforts to drafting a bill enlarging the powers of the OWM to include overall responsibility for reconversion. The Kilgore bill was not introduced until March 29, 1944.[31]

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[29] E. Jay Howenstein, Jr., "The Economics of Demobilization" (Washington, 1944). p. 59.
[30] S. 1718, 78th Cong., 2d sess.

Scene 3: On February 15, 1944, the Baruch-Hancock report[32] was submitted to War Mobilization Director James F. Byrnes, and, simultaneously, was made public. The report pointed to the need for immediate planning for reconversion, and proposed an enlargement of the powers of the Office of War Mobilization (and the creation of new instrumentalities under it), to take care of such problems as contract termination, surplus property disposal, and the "human side of reconversion."

The writing and issuing of this report was marked by a growing animosity between Baruch and the two Senate committees working on contract settlement legislation. Baruch did not like the Senate bill and resented the fact that it had been introduced 4 days before his report had been issued. Senator George and his staff, and to a lesser extent Senator Murray and his staff, resented what they felt to be Baruch's "prima donna" attitude, as well as the venerable gentleman's attempt to bypass Congress in his recommendations for an enlarged OWM to be created without congressional sanction.

As a result of this friction with Baruch, Senator George's staff director, Scott Russell, in something of a white heat, drew up a bill to establish an Office of Demobilization, separate from the OWM, to include supervision over contract settlement and surplus property disposal. Senator Murray, after insisting on certain changes, became a cosponsor in order to insure that this new bill would be referred to his War Contracts Subcommittee. The George-Murray demobilization bill was introduced on February 22, 1944,[33] just a week after the issuance of the Baruch-Hancock report.

Scene 4: On March 29, 1944, the long-awaited Kilgore bill was introduced, providing for an Office of War Mobilization and Adjustment, with a National Production-Employment Board composed of representatives of industry, labor, and agriculture, and with a Bureau of Programs to take care of long-range postwar planning. The bill also provided for the handling of surplus property, and a scheme of "interim pay benefits" and an enlarged unemployment insurance program to meet the traditional needs of labor. Contract settlement was not included in the bill, but Kilgore made his strategy quite clear in this regard when he said in a short report accompanying his bill: "We recognize that such a comprehensive bill as this might well have included a title on contract termination. We feel, however, that the question has been well handled by Senators Murray and George's bill S. 1716, *which can very easily be joined to this bill.*" [34] [Italic supplied.] Kilgore made certain that his new bill was assigned to Senator Murray's War Contracts Subcommittee, in the hope that Murray would see fit to join forces and report out an omnibus bill to end all omnibus bills.

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[31] S. 1823, 78th Cong., 2d sess.
[32] Bernard Baruch and John M. Hancock, "Report on War and Postwar Adjustment Policies" (Washington, 1944).
[33] S. 1730, 78th Cong., 2d sess.

Scene 5: By April 1944, Murray's War Contracts Subcommittee had managed to get control of every important piece of proposed legislation dealing with reconversion and postwar problems. The question of what to do about these various suggestions, how to harmonize them if they were harmonizable, how to keep them separate if they were not, fell largely to Bertram Gross and Kurt Borchardt of the subcommittee staff. Hearings were held on the various bills in April, and it soon became quite apparent that the Kilgore strategy was not going to work. Senator Murray and his staff assistants had labored for 8 months on the contract settlement bill. This bill had been sweated out of endless conferences with businessmen and Government officials. By the late spring it was about ready for final action, and Murray and his staff had no desire to see 8 months of hard work go down the drain with an omnibus bill which they felt sure would be cut to shreds by a conservative Congress.

There was something else. Murray, like James Patton of the Farmers Union, had little faith in the Bureau of Programs approach to the complex problems of long-term economic stability. He felt it was a mistake to have the planning function two steps removed from the President, and remembering the fate of the National Resources Planning Board, he had no faith that the planning function would be separable from the projected Office of War Mobilization and Adjustment when the latter was terminated.

When it became obvious that no omnibus legislation was going to be permitted by Senator Murray, Senator Kilgore and his staff, and a large body of liberal lobbyists who had rallied around the Kilgore bill, became extremely bitter. They felt that Murray and his staff had betrayed the "cause," a charge which seemed to them easy to support at that time since Murray's name was linked to that of Senator George in connection with the contract settlement bill.

Scene 6: This feud between Murray and Kilgore and their respective staffs led to a dual redrafting job. Bertram Gross for Senator Murray worked on a revision of the original George-Murray demobilization bill, attempting to devise a compromise between the original and a few of the "sounder" provisions of the Kilgore bill. This draft included many of the ideas which were finally written into law. In the meantime, however, the Kilgore staff worked up a revised bill of its own,[35] and by June 8, 1944, had succeeded in selling it to eight liberal Senators including Senator Truman, one of the three members of the War Contracts Subcommittee. This placed Senator Murray in a nasty spot of deciding between supporting conservative Senator Revercomb, the third and minority member of the subcommittee, or of joining Truman in sponsoring a revised Kilgore bill with which Murray was not in complete sympathy. He finally decided on the latter course, Gross's revised George-Murray bill was shelved, and the new Kilgore bill was redrafted as the Kilgore-Truman-Murray bill.[36]

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[34] Congressional Record, 78th Cong., 2d sess., Mar 29, 1944, p. 3242.
[35] S. 1893, 78th Cong., 2d sess.; introduced May 4, 1944.

Scene 7: The denouement occurred early in August 1944. Senator George, desirous of blocking the liberal provisions of the revised Kilgore bill (particularly those sections dealing with a Bureau of Programs and extended unemployment compensation under Federal control), introduced a brandnew bill on August 1, 1944,[37] dealing solely with a modest and State-controlled unemployment compensation plan to cover the transitional period. On August 3, the new George bill was reported favorably by Senator George's own Finance Committee and was placed on the calendar. On August 7, the Kilgore-Truman-Murray bill was reported out of the Senate Military Affairs Committee and placed on the calendar, but, of course, behind the George bill.

Between August 8 and August 11, the situation came to a climax: the George bill was called off the calendar for Senate action, the Kilgore-Truman-Murray bill was offered as a primary amendment thereto, the George-Murray domobilization bill which had been rewritten by Gross was exhumed by Senator George, modified, and offered as a secondary amendment to his own bill, the secondary amendment was passed by a confused Senate, and an Office of War Mobilization and Reconversion bill, stripped of the unemployment compensation and planning measures championed by the Kilgore staff, was sent to the House. With further modifications by the House, the bill was sent to the White House and became law in October 1944.[38] Separate Contract Settlement and Surplus Property Acts[39] were passed during the summer and fall of that same year, but both were integrated into the Office of War Mobilization and Reconversion Act as finally approved.

THE SIGNIFICANCE OF THE STRUGGLE OVER RECONVERSION LEGISLATION

This tangled background to the establishment of the OWMR is important to our story for a number of reasons. In the first place, it dramatizes the congressional concern about, and groping toward, an answer to the pending postwar uncertainties. This concern was a reflection of the worries of the American people in the late war years. The fact that the George rather than the Kilgore version of the OWMR bill was finally passed, meant that a void was left in legislative policy dealing with comprehensive postwar planning for jobs. Had the Kilgore provisions for a Bureau of Programs been enacted into law, the probability is that the emergence of a separate full-employment bill would have been delayed or precluded.

In the second place, the struggle between Kilgore and George was symptomatic of a broad ideolcgical split within Congress. The later congressional debate over the full-employment bill was presaged by the struggle between the conservative and liberal legislators over reconversion policy.

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[36] S. 2061, 78th Cong., 2d sess.; introduced Aug. 7, 1944.
[37] S. 2051, 78th Cong., 2d sess.
[38] 58 Stat. 785, Oct. 3, 1944.
[39] 58 Stat. 649, July 1, 1944, and 58 Stat. 765, Oct. 3, 1944, respectively.

In the third place, a number of ideas which were written into the various drafts of the reconversion bills later found their way into the full-employment bill: the idea of a central planning agency; the idea of advisory councils made up of representatives of business, labor, and agriculture; the idea of a joint congressional committee; and others.

And finally, the limited goals of reconversion planning, as we saw earlier, had led the National Farmers Union to suggest a new frame of reference for postwar thinking. The chairman and the staff of the War Contracts Subcommittee were in a receptive mood for this type of suggestion.

PART IV.—THE FULL EMPLOYMENT CONCEPT GOES TO CONGRESS

[From "Congress Makes A Law", Columbia University Press, Publishers]

A BILL IS BORN

(BY STEPHEN K. BAILEY)

> ***Indeed, only a very slight examination of the measures which originate with the committees is necessary to show that most of them are framed with a view to securing their easy passage * * *. The manifest object is to dress them to the liking of all factions.—Wilson, "Congressional Government," pages 100–101.***

A major policy bill does not burst like a mature Athena from the head of Zeus. The full-employment bill had a gestation period of at least 6 months, and as we have seen, its ancestry dates back a long way. If we are searching for the moment when the idea of a separate full-employment bill came into existence, we should probably have to choose that instant of time in August 1944, when the Patton amendment to the Kilgore bill was first brought to the attention of Senator James E. Murray, of Montana. Although Patton had submitted his amendment to a wide variety of congressional leaders as well as to President Roosevelt and Vice President Wallace, it was Senator Murray who assumed responsibility for having the proposal printed in the form of an amendment to the Kilgore bill and circulated for comment to various Government agencies—although he made it clear that he did not intend to call for action upon it at that time. Granted the logic of events in the Senate fight over reconversion policy, it was obvious to Murray that the Patton amendment would have no chance of becoming part of the pending OWMR legislation. His real interest was in the fact that the National Farmers Union proposal had placed the full employment issue on a new plane of permanent Federal obligation, far transcending the limited reconversion concepts which had dominated the thinking of most of Congress for a year or more.

In this general awareness by Senator Murray and his War Contracts Subcommittee staff that limited reconversion legislation was not enough and that the Patton amendment had created a new frame of reference for thinking about postwar employment problems, the full-employment bill of 1945 had its real beginning.

Before proceeding to an analysis of the actual drafting of the bill, it is important to look briefly into the story of its major sponsor and into the issues of the 1944 presidential election. The birth of a public policy is after all the result of the impact of seminal ideas on strategic persons at propitious times.

SENATOR JAMES E. MURRAY, OF MONTANA

Senator James E. Murray [1] is one of the great anomalies in the U.S. Senate. One of the wealthiest men in the upper Chamber, he ranks as one of the most ardent champions of liberal social legislation in recent national history.

Murray was born in Canada in 1876. His father died when he was young, but insurance and a fabulous uncle kept the family in a reasonably secure financial condition. After graduating from St. Jerome's College in Ontario, Murray entered New York University as a special student in 1897, going on to the law school a year later. In 1900 he took out citizenship papers, and the following year went to Butte, Mont., where his uncle James A. Murray had accumulated a fortune in mining and banking. During the next 30 years, Murray married, raised a family, quietly built up a law practice and a fortune in small enterprises and watched his city and his State become the battleground of giant interests whose financial stake in Montana soil and politics made Murray's fortune in comparison look like a piggybank. The decentralized nature of Murray's holdings and the entire character of firms like Anaconda and Clark help to explain the fact that Murray has always identified himself with small business. In relation to the powers he fought in his home State. Murray always has been in small business.

Until 1930, when Murray was elected Democratic chairman of Silver Bow County, his only experience in politics had been a 2-year stint as a county prosecutor, in 1906–08. The story is that he refused a second term because he disliked prosecution of capital offenses. In 1932, Murray helped line up State delegates for Roosevelt, and in 1934 in a complicated political tangle following the death in office of Senator Thomas J. Walsh, Murray was elected by a large majority to the U.S. Senate. His militant liberal record in the Senate did not begin until 1938 when the combination of the recession of 1937 and his intraparty fight with his Montana colleague, Senator Wheeler, seemed to galvanize him into action for the Roosevelt New Deal cause. In recent years, Murray has probably sponsored more far-reaching social legislation than any other Senator on Capitol Hill. Since 1943 he has sponsored major bills concerned with national health, social security, aid to education, aid to small business, minimum wages, Missouri Valley Authority, and full employment.

Murray's liberal philosophy, although delayed in its overt manifestations, is the product of a lifetime. When asked about such matters today, he recalls a variety of conditioning experiences: Watching the change that overtook Butte, Mont., when Anaconda Copper made it into a company town—a change, he says, from "self-respect to serfdom"; seeing militia, before World War I, riding in ore cars back on his house on their way to break a strike in the mines (Murray had worked briefly in one of his uncle's mines years before, and had learned to appreciate the problems of the mineworkers); losing heavily, in the crash of 1929, and becoming acquainted with the financial power of what he still calls "Wall Street."

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[1] The following biographical sketch is based upon an interview with Senator Murray, July 9, 1946; also, upon Dorothy M. Thayer, "New Faces in the Senate," Washington Post, Nov. 23, 1934; an NANA release from Butte, Mont., which appeared in the Washington Star, Nov. 27, 1934; "Murray of Montana," the Nation, Oct. 10, 1942, pp. 332–333; and Forest Davis, "Millionaire Moses," the Saturday Evening Post, Dec. 8, 1945, p. 9 and following pages.

But other men have gone through similar experiences, and have not been drawn into an active fight for the little man. Congenitally or somewhere along the line Murray was endowed with an unusually sensitive social conscience which in the last few years has developed into an almost messianic fervor for social justice. His world is a big world of light and darkness with the powers of evil symbolized by big business. During the recession of the late thirties, Murray epitomized his own feelings about monopoly, industry, and finance in a radio address called "Economic Security and Justice":

> * * * the collapse of 1929 was due to a whole train of violations of economic rules, which industry and finance in a mad and greedy rush for profits had failed to adhere to * * *.
>
> The monopoly fixation of prices is shown to be a major cause of the present (1937) recession, as well as in the 1929 depression * * *.
>
> While the Government was engaged in priming the pump with a national public works and work relief program involving the expenditure of billions of dollars, they [big business] were engaged in skimming the cream of the Government spending. They ran up prices to increase profits * * *.
>
> Industry has been overanxious for profit and simply prices itself out of business. It failed to cooperate in the national program of recovery and thereby contributed to its own distress and injury as well as bringing renewed misery to the country in the way of increased unemployment.[2]

His philosophy has not changed.

Murray's receptivity to the Farmers Union proposal in August 1944, can be understood only in terms of three interrelated beliefs arising from his social philosophy: (1) That we need big government to cope with big business; (2) that Federal legislation can go a long way toward correcting the evils of society; and (3) that the reconversion legislation with which he was forced to deal as chairman of the War Contracts Subcommittee did not go to the heart of the postwar problem.

In all these views, Murray was aided and abetted by large committee staffs which he had built up during the war to assist him with his legislative program. Off and on during 1944–45, he had approximately 75 staff assistants and secretaries working for him and his committees.[3] Most of these assistants and secretaries had been borrowed on a temporary basis from executive agencies and departments, and, as we shall have reason to notice, a few of them became of central importance in the history of the full employment bill. It is important to recognize, however, that the basic policy decisions which led up to the writing and introduction of the full employment bill were Murray's. Fundamentally, it was his spark of will which transformed an idea into a specific legislative proposal.

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[2] "Economic Security and Justice," radio address by Hon. James E. Murray of Montana, Mar. 18, 1938 (reprint from the Congressional Record, 75th Cong., 3d sess., Apr. 7, 1938).

[3] Murray was chairman of the Special Senate Committee on Small Business, chairman of the War Contracts Subcommittee of the Senate Military Affairs Committee, and chairman of the Senate Education and Labor Committee. For a detailed (though incomplete) breakdown of his various staffs, see the Congressional Record, 79th Cong., 2d sess., Apr. 1, 1946, especially pp. 2928–2936.

THE ELECTION OF 1944

While the reactions of executive agencies and departments to the National Farmers Union amendment were being prepared and returned to Senator Murray in September and October of 1944, the Nation as a whole was undergoing the dizzing experience of a presidential election. President Roosevelt had set the tone for a debate on domestic issues in his message to Congress the previous January. Following the lead of the National Resources Planning Board, Roosevelt proclaimed objectives for postwar America in a new Bill of Rights which began with "the right to a useful and remunerative job in the industries or shops of farms or mines of the Nation."[4] Actually, the year before in his state of the Union message Roosevelt had said, referring to veterans, "They will have the right to expect full employment—full employment for themselves and for all able-bodied men and women in America who want to work."[5] With these precedents, the Democratic National Convention in 1944 adopted a platform which began with the words: "The Democratic Party stands on its record in peace and in war. To speed victory, establish and maintain peace, guarantee full employment and provide prosperity. * * *"[6]

If the Democrats were looking for a clear-cut fight on the full employment issue, however, they were to be disappointed. The Republican Party platform was not as forthright as the Democratic in "guaranteeing" full employment, and it rejected "the theory of restoring prosperity through Government spending and deficit financing"; but the cautious words, "we shall promote the fullest stable employment through private enterprise"[7] came close to implying an identity of goals between the two parties. As the campaign progressed during the summer and fall, the tweedle-dee tweedle-dum character of party stands on the postwar employment issue became even more obvious. No one of course could have been expected to endorse a program of postwar depression. The question boiled down to the nature of the Government's obligation in the field of employment policy. Mr. Dewey in his Seattle and San Francisco speeches seemed to adopt an unequivocal position.[8]

> We must have full employment. * * * The allout peacetime effort of your next administration will be to encourage business, both large and small, to create jobs and opportunity. We shall establish conditions which will make it not only possible but good business for management to join hands with the great free labor movement of this country in bringing about full employment at high wages. * * * Those who come home from the war—all our people—have earned a future with jobs for all.[9]
>
> Government's finest job in the peacetime years ahead will be to see that conditions exist which promote widespread job opportunities in private enterprise. * * * If at any time there are not sufficient jobs in private enterprise to go around, the Government can and must create job opportunities, because there must be jobs for all in this country of ours * * * if there is one thing we are all agreed upon, it is that in the coming peacetime years we in this country

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[4] Quoted in U.S. Senate, "Building the Postwar Economy," from the Yearend Report of the War Contracts Subcommittee to the Committee on Military Affairs, Senate subcommittee print No. 12A, 78th Cong., 2d sess. (Washington, 1945), p. 2.

[5] New York Times, Jan. 8, 1943, p. 12.

[6] Ibid., July 21, 1944, p. 12.

[7] Ibid., June 28, 1944, p. 14.

[8] In his acceptance speech at the Republican National Convention on June 28, 1944, Dewey had stated. "We Republicans are agreed that full employment shall be a first objective of national policy. And by full employment I mean a real chance for every man and woman to earn a decent living." New York Times, June 29, 1944, p. 10.

[9] New York Times, Sept. 19, 1944, p. 15.

> must have jobs and opportunity for all. That is everybody's business. Therefore it is the business of Government.[10]

Dewey's emphasis on the Government's obligation to create necessary jobs forced the strategists of the Democratic Party to urge Roosevelt to deliver at least one important speech on domestic problems. It is true that Wallace had discussed the full employment issue in some of his campaign and precampaign addresses[11] and that the President had alluded to postwar employment in his famous Teamster's speech,[12] but until Dewey forced the issue, the Democrats had attempted to place their major campaign emphasis upon Roosevelt as war leader.

On October 28, Roosevelt spoke in Chicago. The speech originally rough-drafted for him for that occaasion was a relatively detailed outline of the Federal Government's responsibility for maintaining full employment after the war, and included specific programs of Federal action. Roosevelt liked the draft, but felt that it was too controversial and too specific for a campaign address. The draft was scrapped with the exception of a few provocative lines:

> To assure the full realization of the right to a useful and remunerative employment, an adequate program must, and if I have anything to do about it, will, provide America with close to 60 million productive jobs. * * *
>
> I foresee an expansion of our peacetime productive capacity that will require new facilities, new plants, new equipment—capabale of hiring millions of men. * * *
>
> If any one feels that my faith in our ability to provide 60 million peacetime jobs is fantastic, let him remember that some people said the same thing about my demand in 1940 for 50,000 airplanes.[13]

It is interesting to speculate what the public reaction would have been to the original draft of the Chicago speech. Four months later, in February 1945, that discarded draft in the guise of original testimony was made available to the public through Henry Wallace, who was fighting for Senate confirmation of his nomination to the post of Secretary of Commerce. To this we shall have reason to return.

The election emphasis upon postwar jobs had the double effect of headlining the full employment issue and of convincing Senator Murray that the time was ripe for policy action in Congress. Even granting the extravagance of election promises, positive Federal action in the field of postwar employment planning seemed to come as close to a bipartisan mandate as any issue in the 1944 campaign.

AGENCY COMMENTS ON THE PATTON AMENDMENT

During September and October 1944 comments on the Patton amendment dribbled in from the various Government agencies. Most of the comments were favorable to the principle that some sort of Federal action was needed, but various objections were raised to the Farmers Union "guaranteed investment" approach. The Secretary of Agriculture, for instance, felt that too much emphasis was placed on investment expenditures and too little on "expenditures for social services such as education, rural hospitals, and public health." He also felt that the $40 billion figure was too rigid, since "the amount of savings at full employment will differ with the price level, the total population, the tax structure in effect at the time, and possibly the changing habits of the population." He also questioned limiting loanmaking to the Reconstruction Finance Corporation and mentioned the possibility of the Smaller War Plants Corporation making loans to small business.[14]

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[10] Ibid., Sept. 22, 1944, p. 13.

[11] See particularly Wallace's Jackson Day and Lincoln Day addresses and his "Broadcast to the Little Businessmen of the Nation," reprinted in his "Democracy Reborn" (New York, 1944), pp. 253–268. See also his New York speech on Sept. 21, 1944, New York Times ,Sept. 22, 1944, p. 12.

[12] "And I know that they [the American people] can sustain a national income that will assure full production and full employment under our democratic system of private enterprise, with Government encouragement and aid whenever and wherever that is necessary." New York Times, Sept. 24, 1944, p. 26.

[13] New York Times, Oct. 29, 1944, p. 34.

Mr. Hines of the Veterans' Administration questioned the ability of the Joint Committee on Internal Revenue Taxation to predict prospective savings and felt that a sounder economy might be built upon voluntary investment of capital savings rather than upon forced taxation for the purpose of public undertakings.[15]

D. W. Bell, Acting Secretary of the Treasury, suggested that "there are so many factors upon which full employment depends that it is difficult to conclude that any single measure will be adequate."[16]

The eight other departments and agencies whose opinions were solicited by Senator Murray voiced these or similar doubts, but all of the comments from the executive branch reflected a feeling of urgency for some kind of Federal action in the field of postwar employment planning. The nature of the responses helped to convince Murray still further that action was needed, but it also reinforced his belief that the Farmers Union proposal was not necessarily the most satisfactory answer.

Immediately after the November election, Murray conferred with his War Contracts Subcommittee about the preparation of a yearend report. In these meetings, Murray asked Bertram Gross as subcommittee staff director to prepare a draft of a possible full employment bill which might be included initially as an appendix to the subcommittee's yearend report and which later might be introduced as a new bill. It was agreed that the Patton amendment would be used as a basis of discussion, but that a broader and politically more acceptable bill would be written. Time was short, for the yearend report had to be submitted by the middle of December—only a month away. Bertram Gross rolled up his sleeves and went to work.

The Drafting of the Full Employment Bill

The Drafters.—Gross's first move was to call Russell Smith of the Farmers Union and tell him what was in the air. Through Smith and other contacts, Gross was able to organize an informal committee, the most faithful members of which were: Louis Bean, V. O. Key, and Gerhard Colm of the Budget Bureau; Emile Benoit-Smullyan, representing the views of John Pierson of the Bureau of Labor Statistics; Walter Salant of the OPA; James Early, representing the views of Richard Gilbert of the OPA; James Maddox of the Bureau of Agricultural Economics; Russell Smith of the National Farmers Union; and finally, Kurt Borchardt of the War Contracts Subcommittee staff.[17] With the exception of Smith and Borchardt, all these men were civil servants who were operating at the nonpublicized, workhorse policy level of wartime administration. They all had a burning interest in postwar employment problems, and in terms of economic philosophy, they shared in the belief that the compensatory fiscal ideas stemming from the Keynes-Hansen analysis were basically sound.

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[14] National Farmers Union, "Reports of Executive Agencies on the Full Employment Proposal of the National Farmers Union," press release, Washington, Sept. 18, 1944, p. 1.

[15] Ibid., pp. 2–3.

[16] Ibid., p. 3.

On an average of twice a week from the middle of November to the middle of December 1944, this group met with Gross on Capitol Hill and helped him mold a full employment bill. The drafting process was controlled by Gross. At the first meetings he explained the nature of the problem: the desire to draft a bill which would have the sweep of the Patton amendment but which would be more acceptable politically and would answer some of the criticisms which Murray had received from the executive agencies and departments. In subsequent meetings, Gross submitted rough drafts and used the group as a sounding board. Out of the discussions came suggestions which were carefully weighed by Gross and often incorporated in later drafts. Between meetings Gross reworked his drafts with the aid of Charles Murphy of the Office of Legislative Counsel. He also kept Senator Murray informed of developments, and solicited comments from people "around town" like Alvin Hansen and Leon Keyserling. Hansen's advice was sought for obvious reasons. Keyserling, who was at that time General Counsel of the National Housing Agency, had won second prize in the Pabst postwar employment essay contest. His essay had suggested certain relationships between the executive branch and the legislative branch of the Federal Government in the development of an economic program which Gross found suggestive.[18] Later on, in the summer of 1945, Keyserling became intimately associated with the redrafting of the full employment bill, and throughout the full employment fight, he acted unofficially as an advisor to Senator Wagner and the Banking and Currency Committee staff.

Stylistic Strategy.—In preparing a bill on any controversial national issue there are certain governing rules of strategy. By far the most important is that a bill must be made to appeal to the widest possible group of potential supporters. This may seem axiomatic, but it is so axiomatic that it is often forgotten.

In this connection, the breadth of support a bill can claim in Congress is often in direct ratio to its viability as a symbol. It is for this reason that the early decision of Gross and the drafting committee to adopt as a draft title "The Full Employment Act of 1945" was of major significance. The term "full employment" was to cause the proponents of the bill numerous headaches and tactical defeats in the year ahead, but the early drafters found it hard to imagine public opinion, pressure opinion, and congressional opinion mobilizing around a "Federal employment and production bill" or a "high-level employment and stabilization bill."

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[17] Other members of the committee included Daniel S. Gerig and Anne A. Scitovsky of the Social Security Board, and Collis Stacking of the War Manpower Commission.

[18] Specifically. Keyserling emphasized that planning and the development of economic policies had to be a joint executive-legislative affair. He suggested a continuing "American Economic Committee" to be established along the general lines of the TNEC with representatives from the House, the Senate, and the Presidential Cabinet, and with additional representatives appointed from industry, agriculture, and labor. See Fitch and Taylor, "Planning for Jobs" (Philadelphia, 1946), pp. 430–443.

How conscious the drafters of the full employment bill were of this problem of style can be judged also by glancing at the opening words of the Patton amendment and then at the beginning clause of the first printed draft of the new bill. The Patton amendment stated dryly—

> In order that there shall be full employment and full production through provision of means for private enterprisers to plan their capital outlays and through provision of means of productive investment of the savings of the people * * *.[19]

The new bill began—

> The Congress hereby declares that every American able to work and willing to work has the right to a useful and remunerative job in the industries, or shops, or offices, or farms, or mines of the Nation.[20]

These words of Roosevelt had a familiar, and to many, an inspiring ring.

The substantive debate over "spending."—If the Patton amendment was cold, it was also rigid in its economic approach. Its concentration on Federal investment and the arbitrary figure of $40 billion as the guaranteed annual level of investment were immediately challenged. Although the weight of opinion among the participating economists in the drafting committee was on the side of compensatory Federal spending, there were minor differences as to whether the spending should be solely for investment and whether spending alone was a sufficient answer to the unemployment problem. Some argued that although the Government could tinker with the economic system through changes in tax laws, discount rates, social security laws, antitrust laws, and the rest, in the last analysis the only real guarantor of full employment was Government spending; so why not call a spade a spade? Others agreed, but claimed that raising purchasing power directly by tax rebates or "food stamp" plans was far better than spending Federal money on public works.[21] Still others felt that the entire tool kit of private industry and the Government should be used to combat depressions and that spending should be considered only as a necessary last resort. Partly for political reasons, this last suggestion was adopted.

Some people close to the situation are still of the belief that everything in the original bill except the spending provisions was window dressing.[22] Both Senator Murray and Gross hotly dissent, however, claiming that the nonspending provisions of the bill and the emphasis on the initial responsibilities of private enterprise were sincere reflections of Murray's own thinking. It is difficult to analyze motivation in retrospect, but it is perhaps some indication of the importance which Murray and Gross originally placed on spending that the only anti-unemployment device which was spelled out in detail in the bill was a Federal compensatory fiscal policy. All other Government activities were alluded to in the "basket clause" referred to in chapter II:

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[19] National Farmers Union, press release, Aug. 7, 1944.

[20] U.S. Senate, a bill to establish a national policy and program for assuring continuing full employment, Senate Committee on Military Affairs, Subcommittee Print No. 1, 78th Cong., 2d sess., Dec. 18, 1944.

[21] The main protagonist for the position that the Government's chief responsibility should be to underwrite private consumption was John Pierson of the Bureau of Labor Statistics, who made his position known to the drafters through Emile Benoit-Smullyan. Pierson was one of the pioneers in seeing the implications of Keynesian thinking for an integrated Federal full employment policy. See particularly his book, "Full Employment" (New Haven, 1941). See Alvin Hansen, "Economic Policy and Full Employment" (New York, 1947), p. 197, for an attack on the 'consumption' school.

[22] This is certainly the position of Alvin Hansen (interview, Cambridge, Mass., Feb. 25, 1946).

> Such program may include, but need not be limited to a presentation of current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and in such other topics as may directly or indirectly affect the level of non-Federal investment and other expenditures.[23]

It is perhaps of further significance that the following clause appeared in the printed draft: "There are hereby authorized to be appropriated such sums as may be necessary to eliminate any deficiency in the national budget."[24] This authorization clause was dropped before the bill was introduced, but its place in the original draft is not without interest. There is no question that the drafters of the full employment bill edged away from the bald spending plan of the Farmers Union proposal. But it seems equally obvious that they retained a healthy respect for the Patton amendment's underlying theory.

Technical jargon.—In the technical sections of the early drafts of the full employment bill, the heavy hand of the professional economist is readily observable. Under Title IV (the national production and employment budget) of the December 18, 1944, print, sections may be picked almost at random to illustrate this point. For instance, section (c) reads in part:

> To the extent that such increased non-Federal investment and other expenditure as may be expected to result from actions taken under the program set forth in accordance with (b) of this section are insuffiicent to provide a full employment volume of the gross national product, the President shall include, in the budget transmitted in accordance with section 201 of the Budget and Accounting Act of 1921, as amended, a general program of such Federal investment and other expenditure as will be sufficient to bring the aggregate volume of investment and other expenditure by private business, consumers, State and local government, and the Federal Government, up to the level required to assure a full employment volume of the gross national product.[25]

To the trained economist this type of language is readily intelligible, although professional differences of opinion have existed about the precise meaning of terms like "gross national product." To the skeptical politician, however, a passage of this sort might have seemed like intentional obfuscation, especially when compared with the dramatic, if ambiguous, language in the bill's opening declaration of policy. An interesting part of the bill's legislative history is the extent to which this technical jargon was simplified or abolished. The drafting economists were vaguely conscious of the political limitations of their technical language, for they appended to their draft a section on definitions. It is hard not to wonder, however, how lay readers must have reacted to the definition of gross national product as "the gross national production of goods and services, as calculated by the Department of Commerce."[26]

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[23] S. 380, 79th Cong., 1st sess., Jan. 22, 1945, sec. 3(b).

[24] Senate Committee on Military Affairs, Subcommittee Print No. 1.

[25] Ibid.

[26] Ibid., sec. 10.

Defining full employment.—We have suggested earlier that the use of the term "full employment" in the title of the new bill was fundamentally a political device. We have also suggested that the use of the term caused almost as many headaches as it prevented. Certainly the central issue was the not-so-simple matter of definition. Like "gross national product," "full employment" as a technical economic term has been a point of friction among professional economists.

Sir William Beveridge, whose book "Full Employment in a Free Society" had appeared too late to have any direct effect on the drafting of the American bill, defined the phrase as meaning "always more vacant jobs than unemployed men * * * the jobs at fair wages, of such a kind, and so located that the unemployed men can reasonably be expected to take them."[27] The logic of Beveridge's definition, as the distinguished Englishman well knew, was possible government control over the location of new industry, over the mobility of labor, over the use of investment funds, and perhaps over prices and wages.

The drafters of the full employment bill never conceived of "full employment" as meaning that no unemployment would ever exist, or that there would always be, in Beveridge's phrase, "more vacant jobs then unemployed men." They believed that capitalism required a certain flexibility in its labor market and that full employment for the entire labor force at all times could be achieved only under a system of forced work. Both Germany and Russia during the thirties, and England (and, to a modified extent, America) during the war had virtually succeeded in abolishing unemployment by using the sanctions of government to freeze industrial labor in particular jobs. This as a peacetime arrangement would hardly have been acceptable to a majority of Americans.

But since the drafters agreed that "full employment" did not mean full employment, they were forced to try to work out a definition which would be politically acceptable and reasonably unambiguous. This turned out to be impossible. In the December 18, 1944, draft, "full employment" was defined as:

> * * * a condition in which the number of persons able to work, lacking work, and seeking work, shall be no greater than the number of unfilled opportunities to work, at locally prevailing wages and working conditions for the type of work available, and not below minimum standards required by law, and in which the amount of frictional unemployment, including seasonal and technological unemployment, and other transitional and temporary unemployment is no greater than the minimum needed to preserve adequate flexibility in the economy.

Not only was this definition cumbersome, it glossed over a whole series of problems and disagreements. What sense would "full employment" make to an unemployed worker in New York when job opportunities existed only in Seattle? By what standards was the labor force to be judged? Who would decide when "frictional" unemployment had become large enough to be considered pathological? And what would be the criteria for judging "adequate flexibility in the economy"?

There are few political slogans which are amenable to unambiguous definition.

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[27] William H. Beveridge, "Full Employment in a Free Society" (New York, 1945), p. 18.

Governmental mechanism: Economic analysis and planning initiative.—It will be remembered that the Patton amendment placed the major responsibility for analyzing economic conditions in an existing joint committee of Congress.[28] The drafters of the new bill were unanimous in agreement that the analysis of economic conditions and the planning initiative for a full employment program should be the responsibility of the President rather than of Congress. Furthermore, it was agreed that that part of the executive branch best equipped to help the President handle such duties was the Bureau of the Budget. In the first place it was a part of the Executive Office of the President and would therefore not be subject, the drafters felt, to departmental myopia. More important, perhaps, the Bureau seemed to be unusually well equipped to undertake these new responsibilities because of its past interest in the full employment problem, because of the very nature of the work of its staff in correlating budgetary data, and because of the fact that, through its Fiscal, Legislative Reference, and Administrative Management Divisions, it was committed to a bird's-eye view of the total governmental program.

At the time, such an arrangement seemed appealing to the drafters for another reason. The Bureau of the Budget had been originally created by Congress. It was "respectable." The path of the full employment bill might be eased, it was reasoned, by attaching it institutionally and semantically to the budgetary concept. To talk of a "national production and employment budget" smacked of bookkeeping, accounting, conservative business procedures. At one point the drafters even toyed with the idea of counteracting the evil connotations of "Federal investment and expenditures" by adopting the felicitous expression "balancing the National Budget."[29]

Tied in with the concept of executive planning was the idea of executive discretion in adjusting the rate of Federal expenditures "necessary for the purpose of assuring continuing full employment." Changing business conditions, the drafters felt, needed a type of flexible stabilization program which Congress was hardly equipped to handle. Provision was therefore made in the bill for Presidential discretion in varying the rate of Federal expenditures to meet changing employment conditions.[30]

Many modifications were to be made in the sections of S. 380 dealing with the responsibilities and institutional mechanisms of the executive branch. It is important, however, to note at this point that the original draft of the bill was framed as an amendment to the Budget and Accounting Act of 1921. This was to have an important impact on subsequent legislative strategy.

Government mechanisms: the role of Congress.—One of the limitations on the effectiveness of the National Resources Planning Board had been the fact that its reports were unilateral declarations of Government goals. Congress had had no participating interest in the formulation of these goals and tended to resent the cloistered nature of NRPB's operations. Since the basic policy decisions to implement a full employment program under the proposed bill would have to be taken by Congress, the drafters took the view that congressional participation in policy formulation and review should be institutionalized.

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[28] The Joint Committee on Internal Revenue Taxation. See above, p. 24.

[29] This phrase is actually used in the Year-end Report of the War Contracts Subcommittee. See "Building the Postwar Economy," p. 6.

[30] Senate Committee on Military Affairs, Subcommittee Print No. 1, sec. 6.

The device proposed, a Joint Committee on the Budget which would have the responsibility of making "a detailed study of the information and estimtaes transmitted to Congress by the President" and of reporting to both Houses of Congress "its findings and recommendations on the national budget,"[21] was in part a carryover from early drafts of the George-Murray Reconversion Bill. The preceding June, Bertram Gross had prepared a subcommittee print of the George-Murray bill which provided for a "Special Joint Committee on Postwar Adjustment" made up of four Members from each House.[22] Between this special committee and an Office of War Mobilization and Postwar Adjustment in the Executive Offices of the President a relationship was projected that was quite similar in outline to the pattern suggested later in the early drafts of the full employment bill. In the latter case, however, one significant addition was made. In order to place clear responsibility on the joint committee, a suggestion was made that the proposed committee should report out a joint resolution "setting forth for the ensuing fiscal year a general policy on the total volume of Federal expenditures and other revenue, and the volume of borrowings or net debt retirement, for the purpose of serving as a guide to the individual committees of Congress dealing with such subjects."[23]

Some of the drafters saw both the congressional Joint Committee on the Budget and the proposed extension of Budget Bureau responsibility in the field of economic planning and policy integration as instruments of potential reform which might ramify into the entire pattern of Government operations, increasing efficiency and clarifying political responsibility and accountability.

Details concerning the exact membership and the specific functions of the joint committee changed frequently during the history of S. 380, but the idea of the original drafters that such a committee should be established was never seriously questioned.

Summary of the drafting process.—By December 11, 1944, Bertram Gross felt justified in having a confidential subcommittee print of the new bill run off. In a month of enthusiastic discussion, members of the drafting committee had succeeded in compromising their minor differences to produce a draft which seemed to them to include the basic features of a workable full employment bill. Feeling their way, they had dramatized policy goals, formulated an economic program, and outlined planning and operational mechanisms. They had drawn ideas from the complexities of economic theory and past governmental experience, and they had added that essential element of creative imagination without which new concepts are impossible. For good or for ill, they had given form to a policy proposal which could now be subjected to the rough gantlet of political and public debate.

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[21] Ibid., sec. 4.

[22] Actually, these provisions in the OWMR bill were passed by the Senate in August 1944, and knocked out later by the House.

[23] Senate Committee on Military Affairs, Subcommittee Print No. 1, sec. 4(b)2.

THE YEAREND REPORT OF THE WAR CONTRACTS SUBCOMMITTEE

On December 18, 1944, Senator Murray submitted to the Senate Committee on Military Affairs a yearend report entitled "Legislation for Reconversion and Full Employment."[34] This report was also "signed" by Senator Harry Truman, although Truman did not have a chance to read it before it was issued.[35]

The yearend report was a major land mark in the history of the full employment bill. Not only did it include the first public printing of the proposed bill, it spelled out in detail why, in the mind of its sponsor, Senator Murray, such a bill was necessary. The report pointed to the "inadequacy of existing postwar legislation" and stated that "as measured against the background of our economic needs, the postwar laws that have been enacted add up to very little." It continued:

> The balance sheet shows that the 78th Congress never came to grips with the problem of providing an economic substitute for war production * * *.
>
> As yet, unfortunately, we do not have in America an adequate program to provide 60 million productive jobs. Nor will such a program develop out of thin air. The right to a job is not self-enforcable. It can be translated into reality only through the joint action of the people of our country—business, labor, agriculture, and all other groups—acting through the medium of their duly elected government. In short, the so-called right to a job is a meaningless figure of speech unless our Government assumes responsibility for the expansion of our peacetime economy so that it will be capable of assuring full employment.[36]

The subcommittee report outlined what it conceived to be the Federal Government's responsibility in the field of postwar employment and appended the full employment bill draft. In introducing the new bill, the report stated:

> Your subcommittee has not had sufficient time to make a complete study of this new bill and there is not time to make such a study during the remainder of this session. However, the bill is transmitted herewith, without commitment, for the purpose of stimulating discussion. Your subcommittee believes that it raises challenging problems concerning the economic future of our country and that the central concept of balancing our national budget by providing full employment merits the most careful analysis by the committee and the general public.[37]

The yearend report started a wave of newspaper comment. With the exception of PM, the Chicago Sun, and a few other consistently liberal journals, the press was generally hostile. Editorially, the New York Times,[38] the Wall Street Journal,[39] and the Journal of Commerce[40] condemned the bill as a deficit financing measure and as leading toward the type of gradual collectivism which Mr. Hayek had challenged in his "Road to Serfdom."[41] Since Hayek's book had come to be a type of conservative Bible by the end of 1944, Senator

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[34] U.S. Senate, "Legislation for Reconversion and Full Employment," Yearend Report of the War Contracts Subcommittee to the Committee on Military Affairs, Senate Subcommittee Print No. 12, Dec. 18, 1944 (Washington, 1945).

[35] This is a common practice "among friends." Truman was out of town on this occasion and his secretary authorized his signature. Truman, of course, had followed with close interest much of the earlier work of the War Contracts Subcommittee staff.

[36] Yearend report, pp. 11–12.

[37] Ibid., p. 15.

[38] Dec. 23, 1944, p. 12.

[39] Dec. 19, 1944.

[40] Jan. 2, 1945.

[41] Friedrich A. Hayek (Chicago, 1944), passim.

Murray took special pains to send letters of rebuttal to the leading conservative journals in which he quoted from Hayek about the legitimate sphere of government in economic life.[42] But the sharp reaction of the conservative press to the first public print of the full employment bill was a harbinger of the general business hostility which was to face the bill all through its tortuous history.

The first official comment on the yearend report and proposed bill came in a speech by Henry Wallace before the American Statistical Association on December 22, 1944. Murray had submitted a page proof of the first confidential subcommittee print to Wallace as early as December 9, and Louis Bean was instrumental in getting Wallace to choose "Full Employment" as the topic for his address. Actually, Bean and Gross helped draft Wallace's speech. As might be expected, the speech was a ringing endorsement of the bill.

THE STRATEGY OF COSPONSORSHIP

As soon as the 1st session of the 79th Congress opened, Senator Murray set to work to line up cosponsors for his bill. His immediate choice of Senator Robert Wagner, of New York, and Senator Elbert Thomas, of Utah, is readily understandable. Both Senators had long and distinguished liberal records in and out of Congress. Their names would attract strong liberal support, and their enthusiasm for the bill would mean their willingness to contribute substantial time and effort to the legislative fight. The fact that they also happened to be chairman of powerful Senate committees was an additional strategic consideration. Gross wanted to make sure that the Kilgore staff would not introduce a substitute full employment bill. By Murray's lining up Wagner and Thomas, Murray and Gross took out insurance against competition. The only committees to which the Kilgore staff might have referred a substitute bill with any hope of friendly consideration were the committees chaired by Murray, Wagner, and Thomas.

Murray's attempt to solicit the support of Senator O'Mahoney, of Wyoming, presents a slightly more complicated motivation. It is dangerous to speculate about motives, but it seems fairly obvious that Murray's interest in O'Mahoney stemmed in part from a belief that the latter's support would give the bill a certain amount of "respectability." It was clear that the bill could not hope for success if its support came only from traditionally liberal and labor groups. O'Mahoney had the double advantage of being known among his colleagues as an independent, middle-of-the-road Democrat, and of having a reputation, following his chairmanship of the TNEC, of knowing more economics than anyone else on Capitol Hill.

Murray approached O'Mahoney through Dewey Anderson. Anderson, who was about to become staff director of Murray's Small Business Committee, had previously served as executive secretary of the TNEC where he had worked closely with O'Mahoney. Anderson, at Murray's request, saw O'Mahoney and tried to sell him on the idea of cosponsoring the bill. The Senator's initial reaction was strongly negative. It was not until Anderson and Murray had promised

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[42] See, for instance, the New York Times, Jan. 6, 1945, p. 10.

O'Mahoney virtually a free hand in rewriting certain sections of the bill, and had convinced him of the tentative nature of the extant draft, that the Wyoming Senator was willing to cooperate.

If it is true that Murray's interest in O'Mahoney was dominated by considerations of long-term political strategy, the Senator from Montana could hardly have made a better choice. As we shall see, in O'Mahoney's testimony before the Banking and Currency Committee and in his speech in the Senate during the floor debate, he probably did more than any other Senator to arouse support for S. 380 in the upper House.

Draft Revisions

Lord Macaulay once said in referring to currency reforms in the reign of William III, "It would be interesting to see how the pure gold of scientific truth founded by the two philosophers was mingled by the two statesmen with just that quantity of alloy which was necessary for the working."[43] Between January 8 and January 22, 1945, the full employment bill went through seven revised drafts which represented the meeting of minds of the "philosophers" and the "statesmen."

Gross, representing the original drafters, met with the bill's sponsors in a series of meetings for the purpose of improving the bill's substance and style. In each new draft, the impact of the political mind is clearly noticeable. It would be unnecessarily tedious to trace every change reflected in each of the revised drafts, but a comparison of the December 18 print with the bill as introduced on January 22 provides a wealth of examples of the impact of the political mind on policy formulation. Consider the following (emphasis supplied):

Subcommittee Print No. 1 *December 18, 1944*	*The Bill as Introduced* *January 22, 1945*
Sec. 2(a) [Opening declaration of policy] "Every American able to work and *willing to work* has the right to a useful and remunerative job in the industries or shops or offices or farms or mines of the nation."	Sec. 2(a) [Opening declaration of policy] "It is the policy of the United States to foster free competitive enterprise . . ." ("Right to work" relegated to second place and changed to: "All Americans able to work and *seeking work* have to right to . . .")
Sec. 2(b) "It is the *responsibility* of the Government to *guarantee* that right by assuring continuing *full employment*.	Sec. 2b) ". . . it is the *policy* of the United States to *assure* the existence at all times of *sufficient employment opportunities* . . ."
	Sec. 2(c) ". . . In order to carry out the policies set forth in subsections (a) and (b) of this section, and in order to (1) promote the general welfare of the nation, (2) foster and protect the American home and the American family as the foundation of the American way of life, (3) raise the standard of living of the American people, (4) provide adequate employment opportunities for returning veterans, (5) con-

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[43] Quoted in E. H. Hankin, "The Mental Limitations of the Expert" (India: Butterworth & Co., Ltd., 1921), p. 27.

Subcommittee Print No. 1 *December 18, 1944*	*The Bill as Introduced* *January 22, 1945*
	tribute to the full utilization of our natural resources, (6) develop trade and commerce among the several states and with foreign nations, (7) preserve and strengthen competitive private enterprise, (8) strengthen the national defense and security, and (9) contribute to the establishment and maintenance of lasting peace among nations, it is essential that continuing full employment be maintained in the United States."
Sec. 3 "The Budget and Accounting Act of 1921, as amended, is hereby amended . . ."	[No reference to Budget and Accounting Act. This omission represented the fear of the sponsors that too close a tie-in with the Budget Bureau might arouse the jealousies of the Departments—especially Treasury.]
[Referring to what should be included in the National Production and Employment Budget] (subsection I): "The estimated number of jobs needed during the ensuing fiscal year or years to assure continuing full employment, and the estimated dollar volume of the gross national product, at the expected level of prices, required to provide such number of jobs."	[Referring to what should be included in the National Production and Employment Budget] (subsection I): "The estimated size of labor force, including the self-employed in industry and agriculture."
The National Production and Employment Budget. Sec. 3(c) [Referring to federal investment program]: "Such program shall be designed to contribute to the national wealth or well-being, and may include, but need not be limited to specific programs for assistance to business enterprises, particularly small business enterprises, for useful public works as tend to promote increased investment and other expenditure by private enterprises; for useful public services as tend to raise the level of health and education; for slum clearance and urban rehabilitation; for conservation and development of natural resources; and for rural electrification. . . ."	The National Production and Employment Budget Sec. 3(c) [Referring to federal investment program]: "Such program shall be designed to contribute to the national wealth and well-being, and to stimulate additional non-Federal investment and expenditure."
	Sec. 3(d) If survey of conditions warrant it, "the President shall set forth in such budget a general program for preventing *inflationary* dislocations. . . ."
Sec. 5 "There are hereby authorized to be appropriated such sums as may be necessary to eliminate any deficiency in the National Budget."	Sec. 8(d) ". . . the carrying out of, or any appropriations for, any program set forth in the National Budget [is not authorized] unless such program shall have been authorized by provision of law other than this act."
Sec. 10 Definitions of "Full Employment," "gross national product," and "Federal investment and other expenditure."	[No definitions appended, although in Sec. 2(b) an attempt is made to define the labor force as] ". . . all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities . . ."

This comparison is by no means exhaustive, but it does perhaps indicate the extent and nature of draft revision at the hands of the bill's sponsors. They were obviously concerned with broadening the appeal of the bill and deleting those sections of the early draft which might have stimulated violent opposition. This process annoyed some of the members of the original drafting committee who felt that the bill was being hopelessly emasculated. The sponsors knew, however, that when the chips were down they could count on liberal support. The problem was how to gain necessary middle-of-the-road and conservative support in and out of Congress. The problem, in all fairness, was also how to bring the original draft more closely in line with the considered opinions of its sponsors.

THE INTRODUCTION OF THE FULL EMPLOYMENT BILL

On the afternoon of January 22, 1945, Senator James E. Murray of Montana arose from his mahogany desk in the Senate chamber and addressed his colleagues on behalf of himself, "the Senator from New York, the Senator from Utah, [and] the Senator from Wyoming."[44] He introduced the full employment bill, S. 380, and asked that it be printed in the body of the Congressional Record along with a series of explanatory questions and answers. The latter were to S. 380 what the Federalist Papers were to the Constitution—attempts to spell out the meaning of various sections and to allay fears about the implication of the total program. There were 23 questions asked and answered, ranging from such general issues as "Does the bill provide for a planned economy?" to "What is the purpose of the joint resolution on the budget?" Perhaps a typical example is No. 7:

> Question: Does the bill provide for deficit financing?
>
> Answer: The bill provides a positive way for bringing about the greatest possible activity on the part of business. This in turn would make it possible to reduce Government expenditures to a minimum. Therefore except in the most dire emergencies, the Government would not have to step into the breach with a spending program.
>
> Furthermore, Government spending does not necessarily mean "deficit financing." It is entirely possible for a Government-expenditure program to be financed by money raised through taxes, rather than through borrowing.[45]

This was hardly an unequivocal answer to the question, but in politics there are often good and sufficient reasons for equivocation.

Senator Murray followed these insertions in the Record with a 5,000-word speech. He outlined past governmental action in response to economic needs of the people, and indicated the necessity of making our free enterprise system work. Carefully he explained some of the major provisions of the bill and reaffirmed the need for immediate action in the field of employment legislation. Both political parties, he pointed out, had supported the principle of full employment in the 1944 campaign. In a conciliatory, humble, and politically shrewd conclusion, Senator Murray stressed the need for constructive debate:

> Of course some Members of Congress may disagree with the sponsors of this bill. That is how it should be in a democracy. Sound legislation can be developed only by clarifying the differences between conflicting schools of thought. The

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[44] Congressional Record, 79th Cong., 1st sess., Jan. 22, 1945, p. 377.
[45] Congressional Record, 79th Cong., 1st sess., Jan. 22, 1945, p. 379.

sponsors of this bill therefore welcome criticisms. We welcome debate on alternative methods of assuring postwar full employment.[48]

The Senator from Montana was doubtless sincere, but one wonders if he really sensed at this early date the basic cleavage in American economic and political thought which the full employment bill was to highlight in the ensuing months.

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[48] Ibid., p. 383.

IN THE SENATE OF THE UNITED STATES

January 22, 1945

Mr. Murray (for himself, Mr. Wagner, Mr. Thomas of Utah, Mr. O'Mahoney, Mr. Morse, Mr. Tobey, Mr. Aiken, and Mr. Langer) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency.

A BILL To establish a national policy and program for assuring continuing full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. This Act may be cited as the "Full Employment Act of 1945."

DECLARATION OF POLICY

Sec. 2. The Congress hereby declares that—

(a) It is the policy of the United States to foster free competitive enterprise and the investment of private capital in trade and commerce and in the development of the natural resources of the United States;

(b) All Americans able to work and seeking to work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right;

(c) In order to carry out the policies set forth in subsections (a) and (b) of this section, and in order to (1) promote the general welfare of the Nation; (2) foster and protect the American home and the American family as the foundation of the American way of life; (3) raise the standard of living of the American people; (4) provide adequate employment opportunities for returning veterans; (5) contribute to the full utilization of our national resources; (6) develop trade and commerce among the several States and with foreign nations; (7) preserve and strengthen competitive private enterprise, particularly small business enterprise; (8) strengthen the national defense and security; and (9) contribute to the establishment and maintenance of lasting peace among nations, it is essential that continuing full employment be maintained in the United States;

(d) In order to assist industry, agriculture, labor and State and local governments in achieving continuing full employment, it is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and programs as will stimulate

and encourage the highest feasible levels of employment opportunities through private and other non-Federal investment and expenditure;

(e) To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment; and

(f) Such invesetment and expenditure by the Federal Government shall be designed to contribute to the national wealth and well-being, and to stimulate increased employment opportunities by private enterprise.

THE NATIONAL PRODUCTION AND EMPLOYMENT BUDGET

SEC. 3. (a) The President shall transmit to Congress at the beginning of each regular session the National Production and Employment Budget (hereinafter referred to as the "National Budget"), which shall set forth in summary and detail, for the ensuing fiscal year on such longer period as the President may deem appropriate—

(1) the estimated size of the labor force, including the self-employed in industry and agriculture;

(2) the estimated aggregate volume of investment and expenditure by private entreprises, consumers, State and local governments, and the Federal Government, required to produce such volume of the gross national product, at the expected level of prices, as will be necessary to provide employment opportunities for such labor force (such dollar volume being hereinafter referred to as the "full employment volume of production"); and

(3) the estimated aggregate volume of prospective investment and expenditure by private enterprises, consumers, State and local governments, and the Federal Government (not taking into account any increased or decreased investment or expenditure which might be expected to result from the programs set forth in such Budget). The estimates and information herein called for shall take account of such foreign investments and expenditure for exports and imports as effect the volume of the gross national product.

(b) The extent, if any, by which the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period, as set forth in the National Budget in accordance with paragraph (a)(3) of this section, is less than the estimated aggregate volume of investment and expenditure required to assure a full employment volume of production, as set forth in the National Budget in accordance with paragraph (a)(2) of this section, shall for the purposes of this title be regarded as a prospective deficiency in the National Budget. When there is a prospective deficiency in the National Budget for any fiscal year or other period, the President shall set forth in such Budget a general program for encouraging such increased non-Federal investment and expenditure, particularly investment and expenditure which will promote increased employment opporutnities by private enterprise, as well prevent such deficiency to the greatest possible extent. The President shall also include in such Budget such recommendations for legislation relating to such program as he may deem necessary or desirable. Such program may include, but need not be limited to, current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure.

(c) To the extent, if any, that such increased non-Federal investment and expenditure as may be expected to result from actions taken under the program set forth in accordance with subsection (b) of this section are deemed insufficient to provide a full employment volume of production, the President shall transmit a general program for such Federal investment and expenditure as will be sufficient to bring the aggregate volume of investment and expenditure by private business, consumers, State and local government, and the Federal Government, up to the level required to assure a full employment volume of production. Such program shall be designed to contribute to the national wealth and well-being, and to stimulate additional non-Federal investment and expenditure. Any of such programs calling for the construction of public works by the Federal Government shall provide for the performance of the necessary construction work by private concerns under contracts awarded in accordance with applicable laws, except where the performance of such work by some other method is necessary by reason of special circumstances or is authorized by other provisions of law.

(d) If the estimated aggregate volume of prospective investment and expenditure for any fiscal year or other period, as set forth in the National Budget in accordance with paragraph (a) (3) of this section, is more than the estimated aggregate volume of investment and expenditure required to assure a full employment volume of production, as set forth in the National Budget in accordance with paragraph (a) (2) of this section, the President shall set forth in such Budget a general program for preventing inflationary economic dislocations, or diminishing the aggregate volume of investment and expenditure to the level required to assured a full employment volume of production, or both.

(e) The programs referred to in subsections (b), (c), and (d) of this section shall include such measures as may be necessary to assure that monopolistic practices with respect to prices, production, or distribution, or other monopolistic practices, will not interfere with the achievement of the purposes of this Act.

(f) The National Budget shall include a report on the distribution of the national income during the preceding fiscal year, or such longer period as the President may deem appropriate, together with an evaluation of the effect upon the distribution of the national income of the programs set forth in such Budget.

(g) The President may from time to time transmit to Congress such supplemental or revised estimates, information, programs, or legislative recommendations as he may deem necessary or desirable in connection with the National Budget.

PREPARATION OF NATIONAL BUDGET

SEC. 4. (a) The National Budget shall be prepared in the Executive Office of the President under the general direction and supervision of the President, and in consultation with the members of his Cabinet and other heads of departments and establishments.

(b) The President shall transmit to the several departments and establishments such preliminary estimates and other information as will enable them to prepare such plans and programs as may be needed during the ensuing or subsequent fiscal years to help achieve a full employment volume of production.

(c) The President may establish such advisory boards or committees composed of representatives of industry, agriculture, labor, and State and local governments, and others, as he may deem advisable for the purpose of advising and consulting on methods of achieving the objectives of this Act.

JOINT COMMITTEE ON THE NATIONAL BUDGET

SEC. 5. (a) There is hereby established a Joint Committee on the National Budget, to be composed of the chairmen and ranking minority members of the Senate Committees on Appropriations, Banking and Currency, Education and Labor, and Finance, and seven additional Members of the Senate, to be appointed by the President of the Senate; and the chairmen and ranking minority members of the House Committees on Appropriations, Banking and Currency, Labor, and Ways and Means, and seven additional Members of the House of Representatives to be appointed by the Speaker of the House of Representatives. The party representation of the Joint Committee shall reflect the relative membership of the majority and minority parties in the Senate and the House of Representatives.

(b) It shall be the function of the Joint Committee—

(1) to make a study of the National Budget transmitted to Congress by the President in accordance with section 3 of this Act; and

(2) to report to the Senate and the House of Representatives, not later than March 1 of each year, its findings and recommendations with respect to the National Budget, together with a joint resolution setting forth for the ensuing fiscal year a general policy with respect to such National Budget to serve as a guide to the several committees of Congress dealing with legislation relating to such National Budget.

(c) Vacancies in the membership of the Joint Committee shall not affect the power of the remaining members to execute the functions of the committee, and shall be filled in the same manner as in the case of the original selection. The committee shall select a chairman and a vice chairman from among its members.

(d) The Joint Committee, or any duly authorized subcommittee thereof, is authorized to sit and act at such places and times, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The provisions of sections 102 to 104, inclusive, of the Revised Statues shall apply in case of any failure of any witness to comply with any subpena, or to testify when summoned under authority of this section.

(e) The Joint Committee is empowered to appoint and fix the compensation of such experts, consultants, technicians, and clerical, and stenographic assistance as it deems necessary and advisable, but the compensation so fixed shall not exceed the compensation prescribed under the Classification Act of 1923, as amended, for comparable duties. The committee may utilize such voluntary and uncompensated services as it deems necessary and is authorized to utilize the services, information, facilities, and personnel of the departments and establishments.

(f) The expenses of the Joint Committee shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers signed by the chairman or vice chairman.

Rate of Expenditures

Sec. 6. (a) The President shall review quarterly all Federal investment and expenditure for the purpose of ascertaining the extent to which the current and anticipated level of non-Federal investment and expenditure warrants any change in the volume of such Federal investment and expenditure.

(b) Subject to such principles and standards as may be set forth in applicable appropriation Acts and other statutes, the rate of Federal investment and expenditure may be varied to whatever extent and in whatever manner the President may determine to be necessary for the purpose of assisting in assuring continuing full employment, with due consideration being given to current and anticipated variations in savings and in investment and expenditure by private business, consumers, State and local governments, and the Federal Government.

Aid to Committees

Sec. 7. The heads of departments and establishments shall, at the request of any committee of either House of Congress, furnish such committee with such aid and information with regard to the National Budget as it may request.

Interpretation

Sec. 8. Nothing contained herein shall be construed as calling for or authorizing—

(a) the operation of plants, factories, or other productive facilities by the Federal Government;

(b) the use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower;

(c) any change in the existing procedures on appropriations; or

(d) the carrying out of, or any appropriation for, any program set forth in the National Budget, unless such program shall have been authorized by provisions of law other than this Act.

[From "Survey Graphic," March 1945]

FROM PATCHWORK TO PURPOSE

Four Ranking Senators Throw Into Open Discussion the Momentous Issue of Where We Go After the War—and How We Can Get Started

(By Leon H. Keyserling[1])

Without fanfare, last January, James E. Murray, of Montana, chairman of the Senate Committee on Education and Labor, introduced the full employment bill of 1945. Joined with him as coauthors were:

Robert F. Wagner, New York, chairman, Committee on Banking and Currency;

Elbert D. Thomas, Utah, chairman, Committee on Military Affairs; and

Joseph C. O'Mahoney, Wyoming, chairman of the recent Temporary National Economic Committee.

Representative Wright Patman, Texas, introduced a companion bill in the House.

The range of sponsorship is significant; and so was the timing, for that was the first month of a new Congress which, we can hope, will prove the first postwar Congress.

Regardless of the vicissitudes it may face before coming to a vote, this bill is central to present public concern. Its short confines and simple provisions embrace such vital matters as the relationships between industry and Government; between the President and the Congress; between the Government and the people.

At such a juncture, it is good to remember that democratic states thrive upon the basis of agreement about fundamentals. Even our cherished rights to debate and dissent—such as freedom of speech, of conscience, of assembly—derive from a few accepted propositions written into the Constitution. Thus without complete agreement about freedom of speech, no one could speak out in disagreement about anything.

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[1] The general counsel of the National Housing Agency is a South Carolinian who studied law at Harvard and postgraduate economics at Columbia.

Writing here personally, he has had much experience up and down Pennsylvania Avenue. Thus, he spent the midthirties on Capitol Hill as an assistant to Senator Robert F. Wagner, on the latter's great bills on housing and labor relations, national recovery and social security. Then came 5 years as Deputy Administrator of the U.S. (now Federal Public) Housing Authority.

Up to his elbows in war and postwar matters in his present post, he was one of 35,767 entrants a year ago for the "Postwar Employment Awards" offered by the Pabst Brewing Co., in celebrating its centennial. The judges were Clarence Dykstra, Wesley C. Mitchell, Beardsley Ruml, and A. F. Whitney.

Mr. Keyserling's entry (rated second—$10,000) called for an "American Economic Goal": for concerted policies to lift not only production and employment, but also standards of living; and for a continuing inventory as both yardstick and lever. These concepts he applies in appraising the full employment bill of 1945—S. 380; H.R. 2202.

Our economic progress, like our political freedom, depends in this same way upon reconciling the privilege of differing about many matters with the capacity to arrive freely at an accord about some essentials. Can we say as much for this full employment bill—that it stems from heartening agreement on a few dominant factors to be reckoned with in our industrial affair? Let me cite half a dozen in sequence:

THE OPPORTUNITY THAT IS OURS

1. Our unrivaled American aptitude for technological advance, spurred on by the depression years and since driven harder by the impulse of total war, has exceeded the most fanciful expectations. Witness Hagen and Kirkpatrick. In the American Economic Review (September 1944) they estimate that the output per man-hour in a grouping of basic industries rose from an index of 100 for 1923-25 to 122 for 1929, to 167 for 1940. Viewing the marvels of war production, they conclude that the index may well go above 232 by 1950.

The increase has not been so startling in other industries or in agriculture. Yet if we couple this rising efficiency with reasonably full employment, it has been calculated that (at the 1944 price level) the value of our annual gross national product, which stood at $106 billion in 1929, slumped to $76 billion in 1932, and rose to $115 billion in 1939—will reach $195 to $200 billion by 1950.

Allowing for increases in population, this would mean by 1950 a general output per capita more than 50 percent higher than in the peak "prosperity" year of 1929.

2. If we come near this attainable goal, we can assure the economic upgrading of the average family and at the same time preserve individual initiative, unusual reward for unusual merit, and full incentives to legitimate private risk taking.

Without making it impossible for any to get rich, we can make it unnecessary for any to suffer poverty.

3. These bright prospects have their dismal counterpoint, if the shortcomings of the past pervade the future. So long as our economic system retains its brittleness, the impact of 20 million veterans and ex-war workers looking for postwar jobs will deal it a shattering blow. That is, one which ultimately might smash us down into a depression as much larger than the depression of the thirties as our effort in this war has been larger than our effort in the last war.

4. Which of these two roads we follow will not be left to fate. It will be a manmade choice, representing a compound of economic policies and programs put into effect by industry, agriculture, labor, and government. Our future is in their hands—or rather, if we will, in our own.

5. In order that this compound of policies and programs achieve optimum results, it is essential that industry, agriculture, labor, and government work together.

This imposes a double obligation upon the Federal Government. As itself the largest single conditioner of our economy as a whole, its actions must be reasonably clear, stable, and thought through to their ultimate implications. It must also take the leadership (for no other agency can) in bringing its own variegated economic activities into harmony (through conference and agreement) with those of private enterprise, organized labor, and of our State and local governments.

For each of these performers to take a proper part in our national symphony of productive effort, there must be a score. Clearly each of them should play the instrument for which his gifts are greatest; yet, if all of them are to keep clear of discord, someone must wield a baton. Such is the tradition of music; but dictation does not fit into the orchestration of democracy.

6. Hence we must find equivalents for score and director if we are to make the music we want to hear. We must have a unifying American economic policy directed toward a common American economic goal. (Of these, more later.)

THE GAP FILLED BY THE BILL

Once we found substantial agreement on such points as these, it would be a far cry from the time when serious men accepted literally that the poor should always be with us; or shook their heads forlornly at the natural and immutable laws of the "dismal sciences."

But even with consensus about what we have and what we need, there would remain one difficulty that has balked us at every turn. Aside from our war effort, we have not yet arrived at enough fundamental agreements—or even the machinery for achieving them—with respect to the content or the application of an integrated economic policy to carry us where we want to go.

Curiously indeed, in a pragmatic and practical people, we have not developed any device for a continuing inventory of existing and largely disjointed public policies even to measure whether these are working well or badly.

The full employment bill is designed to fill in this gap. It would blend the economic programs of private enterprise and public agencies into one American economic policy headed toward what might be called an American economic goal. No, the bill does not use these terms. The goal stated is simply this:

> * * * the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise * * * the right to useful, remunerative, regular and full-time employment.

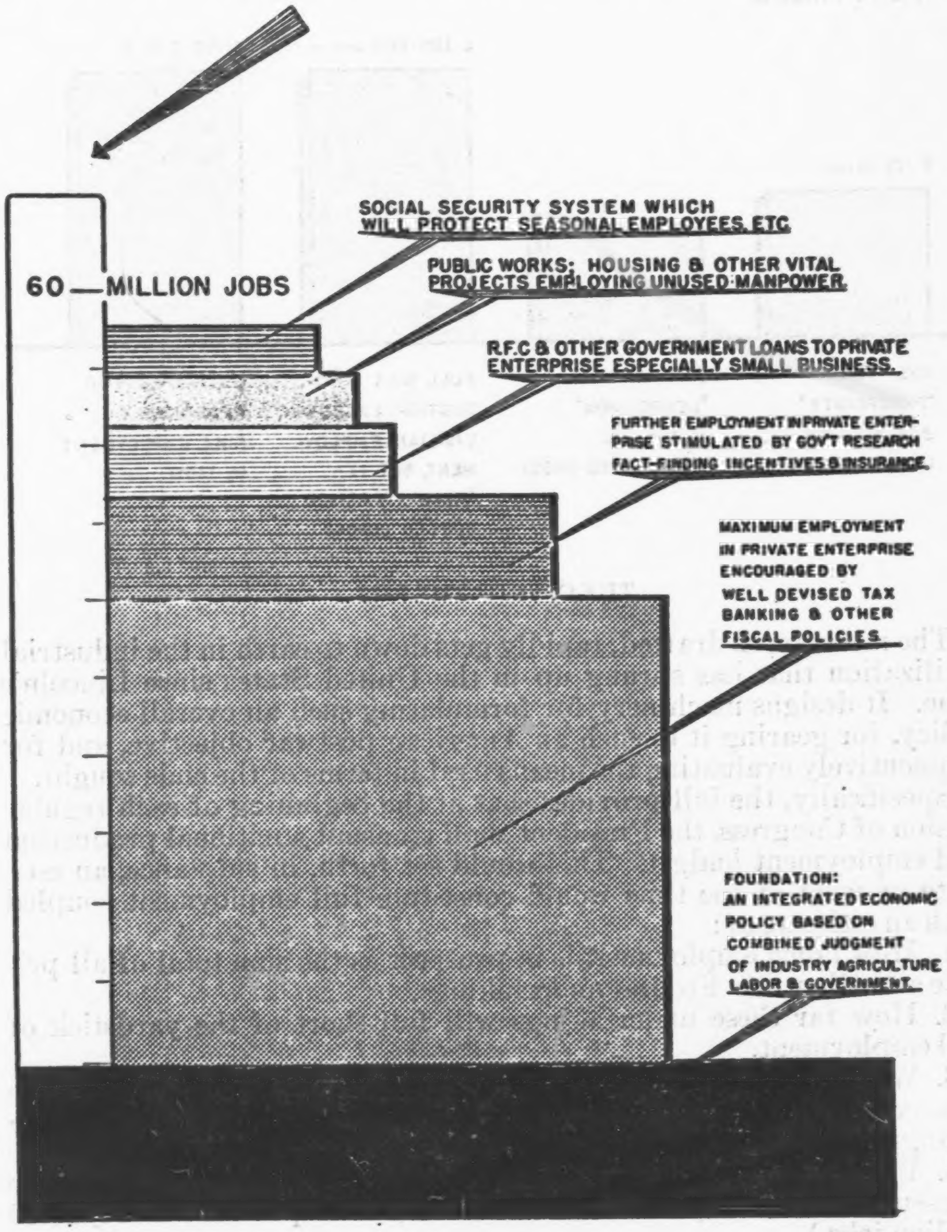
But if we broaden this idea of full employment to include, also, the best utilization of our natural resources and technical skills (this, the bill at least implies) then it may be said that it sets forth as our American postwar objective:

The achievement of the highest levels of production and presumably the highest standards of living that are within our reach.

A goal of this kind, aside from the means of attaining it, would not seem subject to much debate. Nor would there seem much room for questioning the stated policy of the bill that as much of this achievement as possible should be through the medium of private enterprise and other non-Federal undertakings. This course stems soundly from Lincoln's statescraft that—

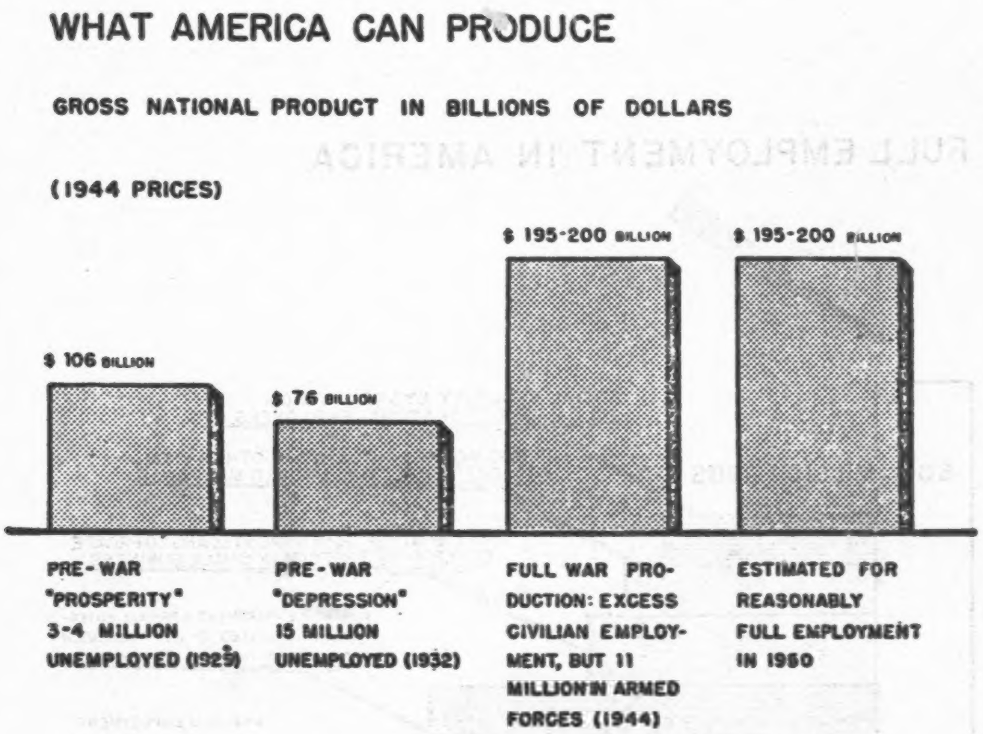
> "It is the function of the Government to do for the people only what they need to have done and cannot do for themselves, or cannot do so well, in their separate and individual capacities."

FULL EMPLOYMENT IN AMERICA


60 — MILLION JOBS
SOCIAL SECURITY SYSTEM WHICH WILL PROTECT SEASONAL EMPLOYEES, ETC
PUBLIC WORKS; HOUSING & OTHER VITAL PROJECTS EMPLOYING UNUSED MANPOWER
R.F.C & OTHER GOVERNMENT LOANS TO PRIVATE ENTERPRISE ESPECIALLY SMALL BUSINESS.
FURTHER EMPLOYMENT IN PRIVATE ENTERPRISE STIMULATED BY GOV'T RESEARCH FACT-FINDING INCENTIVES & INSURANCE.
MAXIMUM EMPLOYMENT IN PRIVATE ENTERPRISE ENCOURAGED BY WELL DEVISED TAX BANKING & OTHER FISCAL POLICIES
FOUNDATION: AN INTEGRATED ECONOMIC POLICY BASED ON COMBINED JUDGMENT OF INDUSTRY AGRICULTURE LABOR & GOVERNMENT.

THIS CHART ILLUSTRATES THE PROCESS. IT IS NOT INTENDED TO DEFINE THE NUMBER OF JOBS FURNISHED BY EACH METHOD

SURVEY GRAPHIC



WHAT AMERICA CAN PRODUCE

GROSS NATIONAL PRODUCT IN BILLIONS OF DOLLARS

(1944 PRICES)

THE CORE OF THE BILL

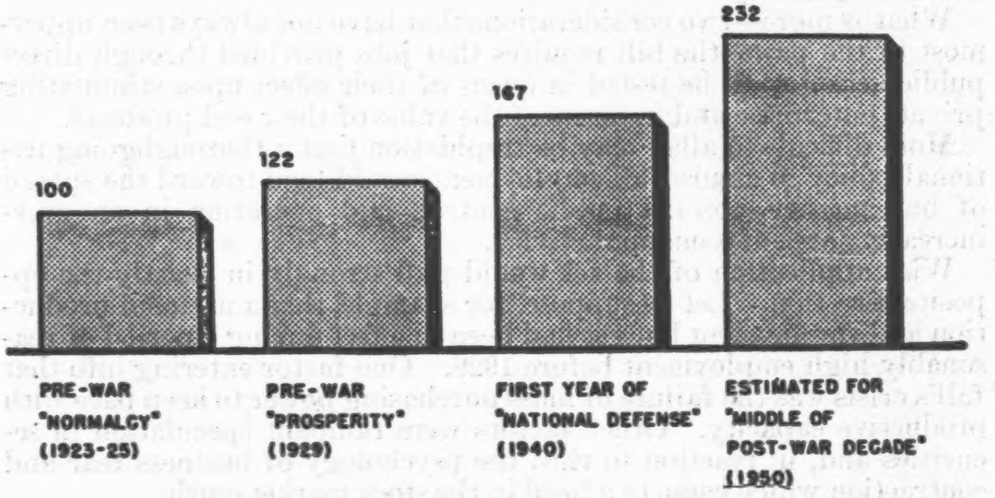
The measure, as drafted, rapidly gets down to earth in the industrial civilization that has sprung up in the United States since Lincoln's time. It designs machinery for formulating such an overall economic policy, for gearing it to such an American postwar objective, and for consecutively evaluating the means used in terms of the ends sought.

Specifically, the bill provides that at the beginning of each regular session of Congress, the President shall transmit a national production and employment budget. This would set forth, in substance, an estimate of what at the time would constitute full employment coupled with an estimate of:

1. How much employment is in prospect as the sum total of all private and other non-Federal undertakings.
2. How far these undertakings will fall short of the yardstick of full employment.
3. What policies the Federal Government can and should utilize to maximize the success of these private and other non-Federal undertakings in achieving full employment; and, as a final supplement.
4. What programs the Federal Government itself needs to undertake to assure full employment. (Present estimates put that at 50 or 60 million jobs.)

The bill contemplates, also, that the President shall from time to time transmit to the Congress information and legislative recommendations bearing upon this national production and employment budget.

On the congressional side, the bill would establish a Joint Committee on the National Production and Employment Budget. This, in turn, would be composed of the chairman and ranking minority mem-



WHAT THE AVERAGE AMERICAN WORKER CAN DO

PRODUCTION PER MAN-HOUR IN BASIC INDUSTRIES

bers of the Senate Committees on Appropriations, Banking and Currency, Education and Labor, and Finance, and seven additional Members of the Senate appointed by the President of the Senate. It would include, also, the chairmen and ranking minority members of the House Committees on Appropriations, Banking and Currency, Labor, and Ways and Means, and seven additional Members of the House appointed by the Speaker. Party representation on the joint committee would reflect automatically the relative membership of the majority and minority parties.

The bill provides further that the joint committee shall study this new type of budget transmitted by the President, and by March 1 shall report its findings and recommendations to the Senate and the House, together with a joint resolution setting forth for the ensuing fiscal year a general policy to serve as guide to the committees on Capitol Hill dealing with related legislation.

THE PLACE OF THE BILL IN OUR THINKING

It can safely be said that no future historian will be able to date the decline of the Republic from the introduction of this bill. It proposes no redistribution of functions between the Congress and the President. It fastens upon no single economic program or panacea for producing full employment, nor does it introduce specific economic measures that have not now been tried out. It involves neither socialization nor nationalization of anything that is now privately owned or operated.

So far as philosophy goes, the bill preaches neither the expansion of governmental functions nor the contraction of voluntary initiative. To the contrary, it explicitly requires that every effort be made to enlarge our system of private enterprise as our first and longest front against unemployment.

As a second line of defense, the bill contemplates that, by some method, the Government shall provide jobs for those who want work when all other methods have failed to employ them. But this residual responsibility of government by the people, for the people, was itself put forward last fall with equal fervor by Franklin D. Roosevelt and Thomas E. Dewey.

What is more—two considerations that have not always been uppermost in the past—the bill requires that jobs provided through direct public action shall be tested in terms of their effect upon stimulating private enterprise and in terms of the value of their end products.

More difficult to allay may be trepidation that a thoroughgoing national policy to assure full employment would tend toward the spread of bureaucracy, toward public control, and operation in an ever-increasing area of economic activity.

Wise application of the act would pull strongly in exactly the opposite direction. Let us suppose, for example, that a national production and employment budget had been in effect during a period of reasonably high employment before 1929. One factor entering into that fall's crisis was the failure of mass purchasing power to keep pace with productive capacity. Other factors were rampant speculation in securities and, in reaction to this, the psychology of business fear and contraction which came to a head in the stock market crash.

Under a national production and employment budget, depressive tendencies would have been registered through its continuing annual inventories—long before the country was thrown into the spiral of depression.

By 1927 the economic brains and resources of America could have been marshaled to exercise a corrective influence all along the line. As time wore on, President Hoover sensed this, but his plea to stop wage cutting went unheeded.

Concerted advance action throughout the highly strategic areas of prices, taxes, and wages, accompanied by moderate public works, would have written a different story and gone a long way toward maintaining our economy in equilibrium. Much of this could have been voluntary; some would have required legislation or compulsion. Prompt public moves in a limited sphere might have averted a major economic catastrophe. There would have been no occasion for the infintely more sweeping governmental undertakings which the actual catastrophe provoked.

This illustration suggests a variety of reasons why such a system for budgetary production and employment should simplify and pare down the governmental structure. The testing of each separate administrative institution in terms of a single American economic policy would help weed out duplication and cross purposes. A constant inventory of economic trends in general and of the economic consequences of policies already in effect would encourage the stitch in time that saves nine. By keeping our economic affairs on an even keel, the proliferation of remedial and rescue ventures can be avoided. In short, to compress these these analogies into a rule of thumb:

If the American Government, in concert with industry, agriculture, and labor, did a few things very well, it would become unnecessary for it to attempt under duress of emergency a great variety of things with varying degrees of success.

Of course, the economic specifics for effecting a smooth transition from war to peace are very different from those which might have averted or have minimized the depression of the thirties. But the full employment bill does not involve precommitment to details. As illustrated by the accompanying chart, it presents instead a new method for developing sound measures to meet current problems in their sequence. It has the merit of being opportune, without the demerit of resorting habitually to improvisation to handle a crisis. It leaves room for fresh experiment without abandoning the hard lessons of experience.

WHEN THINGS ARE LEFT AT LOOSE ENDS

What, in truth, has our experience taught us? By way of illustration, more than half a century ago we initiated the antitrust laws. It is not important, here, to appraise whether these laws were wise or not. The point to be made is that even while Uncle Sam was shaking the big stick at the trusts, Federal tariff and tax policies moved in diametrically the opposite direction—toward encouraging nothing less than large-scale enterprise and monopoly. Not only were these two sets of policies in conflict— responsive to different social pressures and tuned to tickle different political ears—but there was never much meticulous checking as to whether they were accomplishing clear objectives, however inconsistent these might be.

Moreover, the failure to orientate the antitrust laws themselves to goals for the economy as a whole, led inescapably to vagaries when we came to apply them. We commenced to promote recovery in 1933 by a virtual suspension of these laws. We sought to prevent business recession after 1937 by reinvigorating them. And we have gone about promoting the war effort in some quarters by enforcing antitrust laws, in other quarters by ignoring them.

In contrast, the series of economic measures enacted in 1933 and after represented a concerted effort to develop a system of interrelated public policies. Nonetheless, it has been observed frequently that the National Industrial Recovery Act and the Agricultural Adjustment Act, the two big cylinders of the New Deal recovery machine, were in some degree incompatible.

There were three main programs under the Recovery Act itself—one designed to strengthen labor through encouragement of collective bargaining; another, to strengthen trade associations and tending toward restricted production; and the third, to expand production and employment through public works. These programs soon became conspicuously strange bedfellows. Some of the conflicts were smoothed over; none was completely rationalized.

Our need for a unified American economic policy is not limited to times of stress. Our social security program sprang from emergency in the midthirties, but in the years since, the program as it has developed has exhibited the same need for wider unity. Take unemployment compensation which was advocated along three lines:

To spur managements to concentrate upon stabilizing employment;

To check the spread of unemployment by maintaining purchasing power; and

To provide compensation (not charity) for those unemployed.

These three purposes are not mutually exclusive; all of them are worthwhile, but the system should delineate paramount and secondary objectives and be accompanied by some device for measuring success in achieving each of them.

Collateral effects, also, should be weighed—for example, the influence of the payroll taxes, imposed by the Social Security Act, upon capital investment and consequently upon unemployment itself. Further, the relation of the system to other programs with kindred purposes should be explored. For example, to other stabilizing programs, such as tax incentives or the guaranteed purchase of excess products; and to other purchasing power programs, such as public works.

This adds up to the conclusion that we can have an organic social security policy only as part of an American economic policy.

THE ART OF FINDING UNITY

The foregoing is not critical of those who have been responsible for establishing or administering separate programs of this sort. In the absence of an all-inclusive American economic policy, it is hard to arrive at a satisfying tax policy, or social security policy, or public works policy, or labor policy, or banking policy, or foreign economic policy. One test of subsidiary objectives is to fit them into the overall objective. We cannot excel in parts until we know what the whole job is—and how we are getting along with it.

This lack of a unifying thesis in economic matters explains much bickering on the home front. It sheds light on seemingly contradictory public action, on overlapping in governmental agencies; and on the blurred line between what we need for a period of crisis and what we need for all time. Moreover, current discussion as to streamlining Congress overlooks too often that reorganization can be approached fruitfully only through prior clarification. An articulation of policies and goals would open the way for improved functioning by the Congress as a policymaking body and for the most satisfactory division of labor with the Chief Executive.

Thus the full employment bill, as now drawn, provides for the initial development of the national production and employment budget by the President and its submission to a congressional joint committee for subsequent review and action. In view of the scope of the undertaking and the prime desirability of evoking maximum accord in testing it out, thought might be given to placing the initial development of the budget in the hands of an American economic committee, constituted by law and containing representation from both Cabinet and Congress, with a permanent staff supplemented by a rotating staff drawn from the departments concerned.

Such a plan would offer interesting possibilities for adjusting the principle of separating legislative, judicial, and executive powers, as written into the Constitution, to the increasing interplay and overlapping of congressional and Presidential functions in matters of high policy. Partial support for this idea can be found in a recent recommendation by the Committee on Congress of the American Political Science Association that the Congress establish a permanent and formal liaison with the White House.

If an American economic committee of this type were established, it might well include, also, members appointed by the President to represent industry, agriculture, labor, and consumers. The preparation of a national production and employment budget necessarily involves what free enterprise is going to do no less than what the Government is going to do. Its very essence is an appraisal of interaction between the two. Its very spirit is accord. It needs to be initiated in an atmosphere of maximum cooperation and give and take. For this reason, to bring nongovernmental representatives more explicitly into such a flexible process seems more important than to preserve rigid concepts as to the governmental structure.

It can be argued that part of the reason why pressure groups have been so unconscionably at one another's throats, why their specialized objectives often seem so far abstracted from the common good, is that they so seldom sense that good as a common goal, or have had any chance to participate in a general drive to attain it.

THE CHALLENGE OF 60 MILLION JOBS

More unity arising from more common knowledge is the essence of the full employment bill. The measure is founded upon the proposition that nothing is worse than to contribute to the confusion of the people at large—or to make more difficult their lines of communication when major decisions in national policy are underway.

A national production and employment budget would set objectives each year based on realities, in terms understandable to everybody, and related to our common undertakings as a nation. If it did no more than that, it would bring into our public affairs a clarity, a wholesomeness, and a dignity that would strengthen immeasurably our free institutions in the years ahead.

But the full employment bill is founded, also, on another proposition—that our American way of life and livelihood, with all its admitted imperfections, is a good one. We are committed to it by our history and our idea—and committed by the same token to remedy our imperfections as we go along. Such a course is consistent with our essential practicality and inventiveness as a people, with our emphasis on individual enterprise and our adventuresome democracy.

The human materials with which we have to deal are mostly men of good will, who know the dangers we all face unless we devise more rational ways to get rid of mass unemployment, and who know equally well the benefits we can all look for if we do. The task before us is to gather up tools in our American kit which have stood us in good stead in other great tasks and emergencies, check them against accomplishment, and improve and aline them systematically for use in meeting the great test of the postwar era.

[From The New Republic, February 19, 1945]

BEVERIDGE ON FULL EMPLOYMENT

(By Alvin H. Hansen)

This book,[1] a sequel to Sir William's report on "Social Insurance and Allied Services," is a brilliant contribution to economic analysis and public policy. It will be read and reread in the years to come, for it is a workmanlike statement of the nature of a full-employment program and the means of implementing it. The general reader will find in it, beautifully phrased, an insight into the economic policies to which the current revolution in economic thinking points. Sir William's book will not only help to raise the general level of public understanding of economic policy; it will also, by reason of its clarity and cogency, contribute much toward unifying professional economic opinion.

"Full Employment in a Free Society" succeeds to a rare degree in illuminating a mass of factual materials with meaningful analysis. The facts of unemployment before 1914 and between the two wars are marshaled and analyzed with a competence and a comprehensiveness that reflect the author's long experience and deep study of this problem. This was to be expected from his past work. What is remarkable is the skill with which he applies modern economic analysis to the formulation of a full-employment program. And, finally, the author's experience and knowledge of public administration have enabled him to translate abstract formulations of policy into workable machinery of execution.

The full-employment program outlined by Sir William is designed for a free society. The price system, freedom of choice of occupation by individuals, private enterprise—this is the institutional pattern within which his full-employment policy is designed to operate. Problems of wages, prices, industrial discipline, and motivation are utterly different in a free society from those in a totalitarian state. Full-employment policy in a free society presents enormously more complicated problems than the relatively simple coercive procedures under regimentation.

Flexibility in the labor market is a necessary condition of freedom. Thus, in a free society—a point which needs to be underscored—full employment cannot mean that at any given moment every person in the labor force is at work. Sir William argues that for England we must expect at theoretical full employment not less than 3 percent of the labor force to be unemployed. This is due partly to seasonal fluctuations, partly to frictional unemployment, and partly to fluctuations in oversea demand which cannot fully be offset by any planned program. Translated into American figures, 3 percent of the 60 million labor force which current estimates indicate as probable in the postwar period would mean 1,800,000 at any one time out of work. If full employment in England means 3 percent unemployed, it is probable that, under American conditions with the greater seasonal fluctuations, the wide expanse of our country and the more difficult task of stabilizing our internal investment, we could scarcely hope to achieve as a practical goal a figure lower than 4 or 5 percent. This would mean 2½ to 3 million unemployed at theoretical full employment. Unemployment insurance is designed to provide security for those who suffer such unavoidable though temporary unemployment.

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[1] "Full Employment in a Free Society," by Sir William Beveridge. New York: W. W. Norton & Co., 429 pp., $3.75.

It is somewhat difficult to square Sir William's 3-percent average unemployment with his formal definition of "full employment." He defines "full employment" as a condition in which there are more vacant jobs than unemployed men. I doubt the validity of his formal definition and, in fact, it seems to have little practical relevance in view of his quantitative definition.

Critics of Sir William's position may raise the question whether 3-percent unemployment on the average provides enough flexibility in the labor market for a dynamic society. It may be pointed out that 3-percent unemployment (or 1,800,000 in the United States) would mean 18 million people unemployed 5 weeks each year, or 9 million people unemployed 10 weeks each year; while 5-percent unemployment (3 million in the United States) would mean 30 million unemployed 5 weeks each year or 15 million unemployed 10 weeks each year. In other words, the degree of flexibility in the labor market with unemployment of these percentages is far higher than is usually supposed to be the case.[3] Thus, while Sir William's theoretical definition of "full employment" is, I believe, seriously to be questioned, the practical goal which he sets out is, I think, not unreasonable in terms of needed flexibility in the labor market. With 3 percent unemployed in England and 4 or 5 percent in the United States, there should be enough leeway to make the labor market manageable in a full-employment and free society.

It is perfectly true that a full-employment society, even as defined statistically above, is likely to be confronted with the problem of preventing wage inflation. By "wage inflation" I mean a rise in wages more rapid than the increase in productivity or, in other words, a rise in wages so rapid as to force an increase in prices. It is to the interest of wage earners that money wages shall rise as rapidly as productivity increases, but it does no one any good to create a price inflation. If we expect to manage the wage problem in a full-employment society, it will indeed be necessary to have a degree of flexibility adequate to meet the requirements of a dynamic economy. But it would be a fatal mistake to rely upon large unemployment as the means to control wages. In a full-employment society, statistically defined as above, the control of wages must be achieved through enlightened union-management cooperation and collective bargaining. In a full-employment society it can reasonably be expected that the facts about increases in productivity and the degree to which wage increases can be made without incurring price increases will be thoroughly explored and that more and more an enlightened labor leadership will cooperate to achieve not only full employment (at rising wages as productivity rises) but also stability in the cost of living.

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[3] Moreover, in the United States, the "labor force" expands in the high-employment summer season. In addition, there is the "reserve" of labor (lists of persons who can be drawn upon temporarily) available to most firms.

The reader, eager to get on with the exciting part of the story, may think I am wasting time on a relatively unimportant point. I stress this matter of labor-market flexibility and control of wage rates, because this is certain to become a focal point of attack against a full-employment program. While I think Sir William's abstract definition of "full employment" is unfortunate, and in my judgment indefensible, I believe that his applied and statistical definition of "full employment" can be defended.

Now to get on with the main story. Sir William lays down three conditions of a full-employment policy. The first is adequate total outlay. The central proposition in his book is that the responsibility of insuring at all times outlays sufficient to provide full employment must be placed formally by the people of Britain upon the state. The assumption of this responsibility by the state is indeed the meaning of adopting a national policy of full employment.

To fulfill this condition a new type of budget is required. This new type of budget is a budget of total national expenditure, public and private; it is not confined to the fiscal operations of the Treasury. The new budget includes (1) private consumption outlays; (2) private investment outlays at home; (3) balance of payments abroad; (4) tax-financed public outlays; and (5) loan-financed public outlays.

If the estimated outlays on these five categories are below the estimated value of a full-employment output, there will be unemployment. The responsibility of the state is to insure an adequate total outlay.

If the total outlay is equal to the value of a full-employment output, we can estimate fairly accurately (the tax structure being given) what the private consumption outlay is likely to be. No reliable estimate, however, can be made of the volume of private investment or of the balance of payments abroad. These are the fluctuating and uncertain elements. Sir William believes, however, that it is possible to achieve through the regulation of a national investment board a high degree of stability in internal private investment. He thinks it is more difficult to control the foreign balance, since oversea demand is not subject to British control.

Accordingly, a compensatory policy by the state will be needed which involves a cardinal break with two main principles which have guided governments in the past; first, that state expenditure should be kept down to the minimum necessary to meet inescapable needs, and second that government income and expenditure should balance each year. Once the possibility of deficient private demand is admitted, the central government, if it aims at full employment, must be prepared if need be to spend more than it takes away from the citizens by taxation (p. 136).

Nevertheless, Sir William lays relatively little stress on the compensatory feature and he is critical of the British White Paper on Employment Policy for viewing the problem mainly in these terms. He believes that if a long-term policy of planned public outlay (involving a systematic attack upon the giant social evils of want, disease, squalor, and ignorance, and including an adequate program of public construction and public investment) is undertaken, cyclical fluctuations will be greatly reduced. Sir William's report proceeds on the basis of planning for a continuous steady expansion rather than on the basis of mitigating fluctuations (p. 263). He stresses a long-term expansionist program, including the growth of consumption demand which should help to maintain private investment, the stabilization of the prices of primary products to minimize fluctuations in oversea demand, the stabilization of private investment through a national investment board using powers of control and loan and tax policy, and finally the expansion of the public sector of the economy in terms of social services and public investment so as to enlarge the area within which investment can be stabilized directly (p. 271). Cyclical stabilization, he regards as a byproduct in the main of a long-term expansionist program. Fluctuation of demand, he regards as secondary to the central weakness of the unplanned market economy; namely, the chronic deficiency of demand. While the British white paper stresses the timing of demand, Sir William is mainly concerned with the expansion of demand (p. 269).

Nor is Sir William content merely to insure that the state shall make outlays on current services and public investment adequate to raise the total demand to a full-employment income; such a policy would indeed insure full employment, but it would not necessarily insure the highest attainable standard of living or the best use of productive resources. He is vitally interested not merely in adequate total demand (which, to be sure, is the first categorical imperative) but also in social priorities; namely, the wise direction of outlay. In order to end the giant social evils of want, disease, squalor, and ignorance, and in order to raise the productive power of the community, it may well be necessary that the public outlays in the total national budget be greater than the amount necessary to create an adequate total demand. Private consumption and private investment may accordingly, especially in the reconstruction years, have to be restrained in order to do the things that are most urgently necessary. Sir William is not content to relegate public outlays to the minimum residual necessary to maintain adequate total demand. While the first rule—adequate total outlay at all times—is absolute, the second rule—wise direction of outlay—is hardly less important (p. 147).

In general, Sir William favors as a rough guide (though of an altogether minor order of importance, p. 147) the rule that the current services of government should be paid by taxation, while public capital expenditures—the production of durable goods such as houses, hospitals, schools, means of transport and the like—are regarded as the natural subject of borrowing (p. 149). It would be dangerous, however, as Sir William is careful to point out, to stick closely to such a rule at all times. The ratio of tax revenues to expenditure should be based, not on considerations of finance and budgetary equilibrium, but on broad grounds of social and economic policy.

Sir William chides the British White Paper on Employment Policy for being still far too inhibited in regard to finance (p. 264). Taking account of careful estimates of the probable secular rise in national real income if Britain adopts a controlled program of expansion, Sir William shows that a policy of borrowing on a scale adequate to sustain full employment would be quite consistent with a steady reduction of the burden of debt to the taxpayer. In other words, while the national debt would rise, it would not (even though all probable requirements were met) rise so fast as the tax revenue derived from the expected growth in the real national income (p. 148).

Among the novel features of the book is the discussion of alternative routes to full employment. Starting from the depressed condition of Britain in 1938, he discusses how the gap between the realized total public and private outlays and the required full-employment outlays might be filled. What routes might she have taken, starting with the relatively low level of 1938, in order to achieve full employment? As outlined by Sir William, route I would involve an increase of public outlay, leaving tax rates unchanged. This method would at once create a budgetary deficit. The increased public outlays, through the ensuing rise in employment, could be expected to increase private consumption expenditure by an amount that could within nearer margins of error be calculated. It might also induce some increase (difficult to estimate) in private investment outlays. Carried to the point of full employment, the loan expenditures plus the private capital outlays would absorb the total flow of savings generated at a full-employment income. This is the first route to full employment.

Route II involves an increase of public outlay, together with an increase in tax rates sufficient to balance tax receipts and public expenditures. This route (orthodox financing) involves a much larger public outlay before full employment is reached. As the national income is pushed up by this method, private consumption outlays rise less rapidly than under route I (and might even fall), owing to the increase in tax rates. If the new taxes weigh relatively lightly on consumption and instead impinge upon the flow of current savings (progressive taxation), a full-employment income may be reached with a relatively smaller public outlay than if regressive taxation were employed.

In connection with route II the reader may be interested to consult my own discussion in "State and Local Finance in the National Economy" (published by W. W. Norton & Co.) on pages 243–246 and 287–282. As I have repeatedly stated, it is not true that an expansionist fiscal policy necessarily means deficit financing. Route II requires, however, larger public outlays, the more so if the method of taxation is regressive.

Route III to full employment involves leaving public outlays unchanged while reducing rates of taxation all around. This method also creates, as does route I, a budgetary deficit. And to reach full employment the resulting deficit would be a good deal larger than under route I. If this route were used, tax remission should as far as possible be confined to taxation which falls on consumption rather than on current savings (p. 145).

In his long-range program of planned outlay, in addition to the expenditure areas with which we are all familiar, Sir William makes an interesting new proposal. He advocates the method of "joint outlay" under which essential consumption goods such as food, fuel, clothing, furniture, and standard house equipment would be supplied to private citizens at low cost. While the ordinary private channels of retail distribution would be left undisturbed, the state would take over more and more the general business of wholesaling. Through bulk buying, substantial reduction in price might be achieved and, if need be, the price might be lowered still more by a subsidy. Bulk purchases of food from overseas would constitute a part of this program.

Sir William lays great stress on the stabilization of the prices of primary products. Through an elaborate statistical and analytical study of the trade cycle in England (app. A) he reaches the conclusion that fluctuations in British employment are largely determined by the fluctuations in oversea demand, springing from the fluctuations in prices of primary products. It has long been my belief that this latter fluctuation in turn is intimately related to the fluctuation in internal investment in the more dynamic industrial economies, notably the United States and Germany. It is in these countries, I think, that the international cycle typically starts, and then spreads to the primary producing countries whence it reflects itself in a reduced demand for British exports. Into this phase of the matter Sir William does not enter. His research (which adds greatly to our knowledge of the subject) is limited to the connection between Britain and the oversea countries.

The first condition, as we have seen, of a full-employment program is adequate total demand. The second is the controlled location of industry; and the third is organized mobility of labor. The sections in the book dealing with these latter two problems are of quite extraordinary interest.

Sir William adduces from his analysis of the British employment data the interesting conclusion that British labor is highly mobile with respect to movement from industry to industry, but immobile with respect to movement from region to region. He argues, drawing upon the reports of the Barlow Commission on the Distribution of the Industrial Population, that the controlled location of industry is of the utmost importance, not only from the standpoint of rational planning of land use, but also from the standpoint of solving the problem of structural unemployment. In the decades between the two World Wars, industry became increasingly concentrated around the London area, leaving populations stranded in other parts of the country. This concentration of industry was not only highly dangerous from the standpoint of national security, but it also involved serious social disadvantages and costs to the community as a whole. The disadvantages in the flow of population to the great congested cities include the higher mortality of the great cities, the congestion and discomfort of the living conditions in them, the congestion and discomfort of transportation, and the costs involved to mitigate each of these three disadvantages. The Commission's Report, in Sir William's judgment, makes an unanswerable case for national planning of the location of industry. This conclusion, he thinks, is greatly reinforced by the damage to the districts which are left derelict and the social costs which are involved in the transfer of huge populations. Some minor economic advantages may indeed flow to the individual entrepreneur who locates his industry in the great centers, but this may be far more than offset by the general community costs, both of a social and economic nature, involved. There remains, moreover, the final difficulty that populations just will not readily move. To solve the problem of full employment, it is not enough merely to provide adequate total demand; it is also necessary to control the location of industry.

The third and final condition of a full-employment policy is the organized mobility of labor. This relates fundamentally to the movement of labor from trade to trade and from industry to industry. The compulsory use of employment exchanges should, Sir William thinks, clearly be imposed upon the juvenile workers. This would facilitate the controlled flow of adaptable juveniles to expanding industries and prevent their drifting into blind-alley occupations. Obstacles to the fluidity of labor must be removed, particularly restrictions on entry to specific trades and the unwillingness of the individual to change his job. Both of these ends could only be achieved in an environment of expanding demand and full employment. Under these conditions restrictions on entry can be removed; and the individual, provided by the state with facilities for training and reasonable assurance of obtaining employment, will be less reluctant to change his occupation. Organized mobility means flexibility of the labor supply and sufficiency of demand. It does not imply that all working people will be under the continual necessity to change their jobs and places of work. Most people should continue normally in their chosen occupations and their settled homes. Organized mobility does not mean perpetual motion, but it does mean that labor, in accordance with the requirements of a dynamic economy, shall move rapidly and directly to new jobs when there are new jobs.

With respect to Government machinery necessary to implement a program of full employment, Sir William proposes a departmental organization in three tiers corresponding to the three functions:

1. The planning of total outlays, public and private, sufficient to provide full employment,

2. Insuring that the best possible value is obtained for the outlay by efficiency and economy of administration, and

3. The function of actually making the outlay for the various purposes included in the national program.

Accordingly, he proposes a Ministry of National Finance to determine outlay, a Department for Control (the Treasury of the past) of Public Expenditure to insure good value for outlay, and a number of executive departments under the supervision of the Department of Control. To control the location of industry, there should be established a Ministry of National Development, including the whole field of town and country planning, housing and transport. The Ministry of Labor should undertake the administration of the organized mobility of labor.

The Ministry of National Finance would have the duty of preparing the national manpower budget. It would be concerned not only with the outlay of the state, but also the outlay of private citizens for consumption and business investment. Consumption outlay can be influenced by taxation and price policy. Private investment can be integrated with public investment through such spheres of economic activity as housing and town planning, public utilities, transport, agriculture and each of the major industries. These plans can be worked out under the initiative and guidance of the state in cooperation with the industries concerned. Sufficient investment projects should be elaborated to provide for the needs years ahead, so as to permit the timing of their execution and insure a steady flow of capital expenditure for the national economy as a whole. Investments undertaken by the Central Government, the local authorities, public utilities, and private industry should be coordinated in accordance with the scale of priorities in a single national plan (p. 177).

For the execution of the national budget there will be needed a new organ, the National Investment Board. In addition to direct public investment, the Government should give assistance in the form of insuring, by Government guarantee, a low rate of interest for approved investment purposes. This would be of critical importance particularly in connection with housing schemes.

In the United States the broad outline of an expansionist program has recently been elaborated in the already famous Murray-Wagner-Thomas-O'Mahoney full-employment bill (S. 380, 79th Cong., 1st sess.) which sets forth a national production and employment budget. Any reader of Sir William's "Full Employment in a Free Society" should at the same time make a careful study of the Murray full-employment bill.

[From "The Review of Economic Statistics," August 1945]

FIVE VIEWS ON THE MURRAY FULL EMPLOYMENT BILL

(BY MESSRS. HANSEN, HARRIS, HABERLER, SLICHTER, AND MCNAIR, HARVARD UNIVERSITY)

INTRODUCTION

On January 22, 1945, Senator Murray introduced a bill before the Senate on behalf of himself and Senators Wagner, Thomas (of Utah), and O'Mahoney. This bill (S. 380) which is cited as the "Full Employment Act of 1945" is now under consideration by the Senate. Among the special features of the bill are the following: A budget of employment to be presented annually by the President and then to be considered by a joint committee of both Houses; an assumption of responsibility by the Government for employment of all those who are able and willing to work; an estimate of the jobs to be provided through anticipated consumption and investment; the requirement that the Government adjust its fiscal, price, tariff, social security, monopoly, etc., policies to remove any unemployment anticipated, and if these measures fail to attain the desired end, the requirement that public expenditures for consumption and investment be increased.

In the view of the editors of this Review, the economists of the country have a responsibility to give this bill thorough consideration: it raises vital issues on which economists have a right and a duty to speak. Hence this symposium, presenting varying views. In general the order of presentation of the papers is based upon the degree of approval of the proposed bill.

Professor Hansen stresses the importance of the assumption of responsibility for full employment by the Government; and in his view the bill proposes not only recourse to additional spending but also measures directed toward attaining the optimum distribution of resources.

To Professor Harris the importance of the legislation lies also in the advance toward a well integrated economic program. He considers the question of the compatibility of full employment and liberty. Here much depends on the effective use of incentives. The relevance of regional distortions; the concept of full employment; the importance of productivity as against full employment—these questions also are raised.

To Professor Haberler the importance of specific as against general measures to deal with pockets of unemployment stands out. He also brings the reader's attention to the higher costs for business of tax-financed public investment as against deficit-financed public investment.

Commenting favorably on the wisdom of raising the question of Government responsibility for employment, Professor Slichter nevertheless finds many weaknesses in the proposed legislation. He points out, for example, that the right of remunerative employment requires definition. What kind of job and at what pay? He is dubious that spending can solve the problem of transitional unemployment, and he is fearful that attempts to attain jobs for the last 10 to 15 percent of the working population through public spending will be very costly and inflationary.

The difficulties of planning; the folly of guaranteeing full employment; the danger of governmental operations that in turn affect the employment and spending provided from private sources upon which the Government budget is based and thus bring about a failure to achieve goals; the unwisdom of relying on spending; the compulsions imposed on labor and capital; the unfortunate international repercussions—these are to Professor McNair the pitfalls of the full employment bill.

A NEW GOAL OF NATIONAL POLICY: FULL EMPLOYMENT

(By Alvin H. Hansen)

In this brief comment I am going to limit myself to what I regard as essentials. I am not going to discuss details, important enough in themselves, but which I think can, among reasonable men, be settled in a fairly satisfactory manner. I do not think it is worthwhile to waste a lot of time on whether a "high level of employment" is a better term than "full employment." Both phrases need definition. Everyone is agreed that in a dynamic market economy there will be seasonal, frictional, and transitional unemployment associated with changes in the seasons, the introduction of new products and of new methods of production. Moreover, in a free society where wage earners work for whom they please, there will of necessity be a degree of labor turnover. Full employment in the United States, in my judgment, means perhaps 4 or 5 percent unemployed at any one time; assuming a labor force of around 60 million, this would mean unemployment of 2½ to 3 million. If on the average 5 weeks should elapse before a new job was found, this would mean that 25 to 30 million people would shift jobs in each 12-month period. Thus an average of 4 to 5 percent unemployed provides enormous flexibility in the labor market.

Important as these matters of detail and definition are, I turn now to what I regard as more fundamental considerations. What is really important is that the Murray full employment bill, if enacted into law, would, in common with the British and Canadian state papers on employment policy, represent a new attitude, purpose, and responsibility of the Central Government with respect to the problem of unemployment. Instead of palliative and ameliorating measures, these state papers announce a positive national policy with respect to the maintenance of employment, production, and national income.

The British and Canadian state papers recognize that these are novel experiments. "This involves a new approach and a new responsibility for the State," says the British white paper, and adds, "In these matters we shall be pioneers." Similarly the Canadian state paper states, "We must determine therefore to learn from experience, to invent and improve the instruments of our new policy as we move forward to its goal * * *. The Government is inaugurating policies which break new ground and is confident that these policies, with full public understanding and support, will achieve * * * satisfactory results of decisive importance. In later years as experience grows they can be made to yield ever improved results, which will mark a new era in Canadian development."

Apart from announcing a new goal of national policy and a new responsibility of Government, these documents are of the utmost significance in that each commits the Government in question to a periodical and continuous assessment of the employment situation. The Murray bill makes it the duty of the President to transmit to Congress at the beginning of each regular session (and thereafter supplemental reports from time to time) a national production and employment budget setting forth the estimated trends and prospective developments with respect to the size of the labor force, the gross national product, national income, private consumption expenditures, private investment expenditures, State and local outlays, and alternative ranges of Federal expenditures. The British white paper stresses the importance of establishing a central staff qualified to measure and analyze economic trends, and it lists the principal classes of statistics which must be obtained "for the efficient operation of an employment policy."

These procedures assure that the Government will continually take the pulse and temperature, so to speak, of the economy in order to measure how well its policies are succeeding in achieving one of its primary responsibilities. Thus the elected government currently responsible for the conduct of national affairs must continually face up with the employment problem. A major effect of the Murray bill if enacted, and of the British and Canadian state papers on employment policy, would be to focus the eyes of the Nation continuously on goals of economic progress, on rising living standards, on economic stability combined with growth in real national income as rapidly as productivity and full employment permit.

These programs, moveover, are highly significant in that they announce a determination of Government to act promptly and vigorously to prevent depression and unemployment. "The Government are prepared to accept in future the responsibility for taking action at the earliest possible stage to arrest a threatened slump" (British white paper). This means that the Government must be prepared to act. It must have plans in readiness. In the language of the Murray bill there must be prepared "such plans and programs as may be needed during the ensuing or subsequent fiscal years to help achieve a full employment volume of production." The Murray bill has a special section on the rate of Federal expenditures which provides that, subject to standards set forth in appropriation acts and other statutes, "the rate of Federal investment and expenditure may be varied to whatever extent and in whatever manner the President may determine for the purpose of assisting in assuring continuing full employment," with due consideration being given to private investment and consumption and to State and local outlays.

It is not true, as some critics have asserted, that these programs are based on the naive premise that all that is needed to produce full or high levels of employment is to have plenty of public and private spending. Labor mobility, wage and price policy, taxation, competition, control of monopoly, foreign trade, monetary policy, and many other matters are stressed in all three programs. These policies, about which governments have long been concerned, are of the utmost importance, and they need to be reexamined and implemented in an articulate and coordinated program. The distinguishing new feature about the documents here considered, however, is the emphasis placed on the overall importance of an adequate volume of total expenditures. "A country will not suffer from mass unemployment so long as the total demand for goods and services is maintained at a high level" (British white paper). The Murray bill aims to assure that the aggregate volume of expenditures by private enterprise, private consumers, State and local governments, and the Federal Government, shall be sufficient to create a demand for goods and services adequate to provide employment opportunities for the labor force. The British white paper states unequivocally that "in the past the power of public expenditure to check the onset of a depression has been underestimated."

The Senators who have sponsored the Murray bill have called upon leaders throughout the country for suggestions and improvements. They are not committed to any particular line or formulation. They are not interested in petty details, but in the larger aspects of a great national policy. Out of the hearings on the bill doubtless an improved bill will emerge.

The British and Canadian state papers both adopt unequivocally and as a major aim and responsibility of government the maintenance of a high and stable level of employment. The Murray bill seeks "to establish a national policy and program for assuring continuing full employment" and later uses the phrase, "to assure the existence at all times of sufficient employment opportunities." There can be no question that this is a great and important new experiment, that the policy will encounter many difficulties, that 100 percent success will not be achieved, and that much needs to be learned in practical experience. The Canadian Government, in setting as its aim a high and stable level of employment and income, stated unequivocally that it was not selecting a lower target than "full employment." Rather it was mindful that full employment is not an easy matter, and that it needed full public understanding and support to achieve its high goal.

The real significance of the Murray bill is that it sets up and makes at least a beginning in implementing the necessary machinery to work toward this goal, including: (a) The continuous periodic examination of the degree of success reached, and (b) reformulation of program as experience warrants.

SOME ASPECTS OF THE MURRAY FULL EMPLOYMENT BILL

(By Seymour E. Harris)

No one would claim that the Murray full employment bill, if enacted, would solve all the major economic problems of the day. It does, however, promise significant improvements over existing legislation and procedures.

Congress now is fractionized into a large number of committees; and this fractionization may be contrasted with the unity required of our economic policies. At present, for example, committees of the Senate are entrusted with the following legislation (this list is by no means exhaustive): the Banking and Currency Committee, with Bretton Woods, price control, and the Murray full employment bill; the Finance Committee, with taxation and social security; the Post-War Economic Policy and Planning Committee, with all kinds of demobilization and postwar problems, inclusive of social security; the Committee on Military Affairs, and also the Truman (now Meade) committee, with problems of postwar adjustment; the Committee on Education and Labor, with servicemen's education, training, etc. (GI bill); the Appropriations Committee, with appropriations; the Civil Service Committee, with salary and wage administration in the Federal service; etc., etc.

These committees on the whole work independently and little attempt is made at integration. There is considerable jockeying on the part of each committee to obtain jurisdiction over important bills. For example, both the Finance and the Banking and Currency Committees fought to hold hearings on the new Wagner-Murray-Dingell social security bill, the former on the grounds that taxes were involved and the latter on the grounds that matters of public welfare were of primary importance. What is important is that each committee deals with parts of the mosaic of economic policy, but there is little attempt to join the motifs; the result therefore is a hodgepodge of legislation.

There is no evidence that the Banking and Currency Committee, for example, in dealing with the renewal of the Price Control Act, collaborated with or sounded the views of the Finance Committee, responsible for tax policy and reciprocal trade agreements; or elicited the views of the Agricultural Committee, responsible for agricultural policy, or of the Military Affairs Committee, largely responsible for certain demobilization problems (and particularly surplus property legislation), or of the Appropriation Committee, responsible for appropriations. Yet taxes, appropriations, farm policies, Bretton Woods, price policy, social security legislation, and other programs are interrelated and should be integrated. No sensible price policy or any other policy can be evolved unless these interrelationships are understood and the committees responsible for the legislation work together through a supercommittee. To take one example: the Senate Banking and Currency Committee plans legislation to keep prices down; concurrently, the Finance Committee strives to reduce taxes or fails to raise taxes adequately, a policy which increases inflationary pressures and prices.

In proposing, in the Murray bill, an overall Joint Committee on the National Budget, which will be concerned not only with finance but also with employment, Senator Murray and his colleagues go a long way toward correcting the weaknesses of our present legislative setup. This committee would represent both Houses and most important committees dealing with economic policy and entrusted with the responsibility of considering the President's finance and employment budget, and might well serve to integrate economic policies and to establish clear-cut goals (e.g., stability, full employment) and help reach them.

A second valuable point in the Murray bill is the fact that it puts squarely up to Congress, and hence to the American people, the question of the responsibility of the Government for employment. This is, of course, a timely question when fear of large amounts of unemployment following V–J Day is widespread. The unhappy memory of a decade of about 10 million unemployed has not yet been erased, and the effects of a reduction, already begun, of $75 billion annually of Federal Government war expenditures concern all of us. We are troubled to know where the required large increases in spending for consumption and investment are to come from if we are to provide from 58 to 62 million jobs in the next 10 years. Is an unguided economy likely to yield at least 50 percent more consumption and perhaps 5 times as much investment as in the thirties, and that despite the heavy burden of taxation? Our concern might be reduced somewhat if the country's social security program were adequate to cope with large amounts of unemployment for long periods of time. Actually, as I have shown elsewhere, on not unreasonable assumptions of unemployment, the losses of pay might be 20 billion dollars per year and the unemployment compensation but $1.5 billion.

A third good point in the Murray bill is that it focuses attention on the many relevant variables which determine demand, and proposes corrective action in each of the appropriate fields: money, wages, social security, taxes, prices, monopoly, foreign trade, and development. This is to be the first line of attack. Private enterprise is to be given every help and opportunity. Only as a last resort is the Government to have recourse to public spending as a means of attaining full employment. In an important sense, this program is much more sophisticated than New Dealism of the thirties. Policies then were haphazard, and all appropriate measures other than public investments were not by any means exhausted. Furthermore, it might be held that some of the measures then taken were ill advised and harmful to business enterprise. There had not been enough time and experience to work out a well-integrated program. Deficit financing then necessarily was introduced at an early point. Aware of the businessman's opposition to deficit financing, Senator Murray now proposes the use of alternative measures certain to have an appeal to business—these alternative measures to be taken before the Government has recourse to public spending.

The bill is in fact an outline presenting the broad contours, and not a completed painting. Some may object to the composition of the sketch. Why concentrate on full employment to the exclusion of productivity? Full employment assures a minimum standard of living for all who can and wish to work. Let us note, first, that for those who are not members of the labor market (70 to 80 millions in this country) the benefits of full employment are only indirect, if any. A large proportion of the 70 to 80 millions must depend to a considerable degree on social security programs. Full employment will reduce the wastage of economic resources and thus contribute not only to a more equitable distribution but also to a larger product. This is not enough, however. We must also have the largest possible product per man-hour: The allocation of all resources, human and nonhuman, to their most productive uses; the best possible training for workers, entrepreneurs, and Government.

This discussion inevitably leads to the problem of security versus liberty. On this issue, the bill is fairly specific: There is to be "no use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower." Full employment is perhaps, as Sir William Beveridge and others have argued, more than anything else a function of total demand. But demand alone is not enough. Men have to be where there are plants and jobs. Either men must be moved, or capital must be moved. Perhaps impressed by British failure to move men out of depressed areas and by recent pronouncements of the British that in the future the onus for movement will be upon capital, Senator Murray excludes compulsory movement of men and is silent on the movement of capital. Possibly this silence suggests a willingness to offer incentives to move capital or to keep wartime plants in operation under private aegis and Government subsidies where they are more men than jobs.

At any rate, of this we may be sure: This country faces a serious problem in the future resulting from the large wartime migrations of labor and the redistribution of manufacturing facilities geographically. Inducements must be offered to move men or keep plants in operation or transfer capital; otherwise, irrespective of total demand there will be a serious problem of employment. In periods of low demand, unemployment will be heavily concentrated in certain areas and groups; and in periods of adequate total demand, some areas will have unfilled vacancies and others unemployment.

It still is to be proved that full employment can be enjoyed in an economy where absolute freedom to invest, both as to situs and object, and absolute freedom to choose an occupation and job are allowed. We have never had that fine state of affairs. The crucial issue is, it seems to me, what are the minimum restraints on liberty and freedom of movement that are consistent with full employment? Possibly incentives to move offered by the Government (e.g., payment of transportation to workers and tax concessions to capital), and a smoothly functioning employment exchange which gives precise knowledge as to opportunities, may be all that is required. In that case, we may still retain our essential liberties and have full employment.

That brings us to the failure of the bill to define "full employment" precisely and, therefore, its failure to deal with certain aspects of the problem. For example, we should like to know what are the appropriate number of hours of work per week? Are 60 million jobs to be provided at 30 hours (a goal sought by many), or at the prewar level of 37–38 hours, or at 45 hours (present level) which may be assumed to be the choice of the masses of the workers, or some other number which will yield maximum output per man-hour or maximum total output? And if hours are (say) 30, what will the effect be on productivity and wage rates and, therefore, on jobs? Should the Government, again, seek to find employment for all those who seek work, or should the Government, through proper educational policies, social security programs, and the like, influence the numbers seeking work and thus perhaps solve the unemployment problem?

Finally, let us not forget that economists themselves have not given Senators Murray or Wagner clear-cut answers regarding the appropriate policies which will yield the maximum number of jobs. High wages or low wages? A 40-hour week or a 30-hour week? Fewer taxes on investment or on consumption? Higher or lower tariffs? A reduction of taxes or a rise of spending? Less or more public investment?

SOME OBSERVATIONS ON THE MURRAY FULL EMPLOYMENT BILL

(By Gottfried Haberler)

I

The Murray bill gives certain directives to the President, but it does not give him power to do anything he cannot do now. In fact, the last budget message was in the nature of a national budget. The bill does not prevent the administration from doing anything it may want to do; and if the administration should not want to do anything, the only thing the bill would force it to do is give its reasons for not wishing to do anything. Taken literally, only a diehard laissez-faire economist or a ferocious central planner could possibly get excited about the bill. The former would insist that the Government should not concern itself with the economy, and the latter would object to the frequent bows of the bill to "competitive private enterprise."

But it would be a mistake to subject the economic content of a measure like the one under consideration to a logical criticism, that is, to treat it as if it were a scientific tract. It should properly be judged from the point of view of political science and psychology. How will it influence public opinion, Congress, and the administration? Which forces will it strengthen and for what types of policy is it likely to function as a convenient vehicle? Only a few of these questions will be discussed here.

II

As it stands now, the bill gives the impression that the level of employment depends entirely on the aggregate level of expenditure, and that full employment could be maintained all the time, if only the total flow of expenditure were kept constant. A corollary is that if private investment and consumption expenditure are not sufficient to assure full employment at the current price and wage level, and if measures that might be taken to stimulate private expenditure are deemed insufficient, the only thing the Government need do to assure full employment is to fill the gap by public expenditure. The bill by no means requires the administration to take that easy view; the President can propose any kind of policy to deal with an expected slump in employment.[1] But the theory suggested is quite obviously the simple one indicated.

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[1] Cf. the following passage from sec. 3(b) of the bill: "When there is a prospective deficiency in the national budget for any fiscal year or other period, the President shall set forth in such budget a general program for encouraging such increased non-Federal investment and expenditure, particularly investment and expenditure which will promote increased employment opportunities by private enterprise, as will prevent such deficiency to the greatest possible extent. The President shall also include in such budget such recommendations for legislation relating to such program as he may deem necessary or desirable. Such program may include, but need not be limited to, current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure."

Now, I would not deny the usefulness of that view in certain emergencies. For general depressions, as the one of the thirties, an explanation and a cure in terms of broad aggregates are appropriate. But it seems to me that this is so well known by now and that the propensity and pressure to spend in case of a general depression will be so strong, that there is no danger that a general depression will be allowed to develop for lack of aggregate effective demand. The danger is rather that policies in terms of aggregate expenditure will be overdone and applied to cases for which they are inappropriate, and that the preoccupation with these policies will cause a neglect of other, equally important matters. It is time, therefore, to shift emphasis away from the approach in terms of overall expenditure to certain refinements.

There are many of them. I shall mention only one. It is the well-known case of partial unemployment. There may be a large volume of unemployment that cannot be cured by increasing general expenditure. If the unemployed are concentrated in certain "depressed" areas and industries, while there is full employment elsewhere a general increase in expenditure would serve only to drive prices up in the full employment area, without having much effect on the depressed industries. Then the paradox of depression and unemployment in the midst of inflation would be experienced. This could, of course, not happen if labor were sufficiently mobile, but experience shows that this condition is rarely fulfilled.

It is very likely that a succession of such spotty situations on a large scale will arise after the war, because of the great shifts in demand and production which can be expected to occur over a period of several years. On a small scale such a situation always arises near the peaks of business cycle upswings. This makes it so difficult to push an expansion very close to full employment. In such cases, in order to maintain or bring about full employment, much more complicated policies are required than keeping aggregate expenditure on a constant level by means of public works and similar measures. It becomes necessary to increase the mobility of labor, and if we are impatient and wish to maintain full employment literally all the time, it is necessary for the Government not only to spend but also to spend in the right places—in other words, to buy up the output of the overdeveloped industries even if it is not needed. But this creates inflation elsewhere unless measures are taken to keep down expenditure there by taxation, loan drives, rationing, and so forth—that is, unless all the essential features of a war economy are perpetuated.

All this is, of course, well known.[2] But simple truths need constant repetition and hammering into the mind of the public.

My first point may be summarized by saying that the Murray bill regards Government spending as a last-resort policy to eliminate residual unemployment which is left after other methods have been tried out. This is a misconception. Residual pockets of unemployment can be cleared out only by more specific measures than a broad expenditure program.

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[2] See, e.g., Pigou's article in the Spectator, October 1943, and League of Nations, Report of Delegation on Economic Depressions, "Economic Stability in the Postwar World: The Conditions of Prosperity After the Transition From War to Peace" (Geneva, 1945). See also my "Prosperity and Depression" (Geneva, 3d ed., 1941), ch. xiii, sec. 7, "On certain Limitation to a Spending Policy," pp. 503–507.

III

Another point I wish to make concerns the method by which total effective demand may be influenced. The bill, in the omnibus clause of section 3(b) quoted above, refers to a program for encouraging and influencing non-Federal consumption and investment expenditures. Then in section 3(c) and later passages, it directs the President to submit a program for increasing Federal expenditures and investment if non-Federal expenditures are expected to be insufficient to maintain full employment. Now, my contention is that it should be made clear that the Government can change the flow of aggregate expenditure either by varying its expenditures (revenues from taxes remaining unchanged) or by varying tax and similar revenues (public expenditures remaining unchanged). We may call the former "the expenditure method," and the latter "the revenue method," of fiscal policy. In the past, the expenditure method (public works method) has been much discussed, but little attention has been given to the revenue method. The latter has, however, some distinct advantages over the expenditure method.[3] I would not go so far as Boulding and rely exclusively on the revenue method, for the expenditure method is superior in some respects. But both methods should be mentioned with equal emphasis and explicitness. The bill, as it stands now, does not mention the revenue method at all (although under the omnibus clause of section 3(b) the administration could propose to apply it).

IV

On important reason for stressing the advantages of the revenue method is that the expenditure method has recently developed an interesting but dangerous offshoot. I mean the idea, now gaining in popularity, that aggregate effective demand can be stimulated sufficiently to eliminate unemployment[4] by increasing public expenditure without deficit financing. In other words, it is widely assumed that a large, tax-balanced budget and a smaller deficit-financed budget can be treated as more or less equally effective and acceptable alternative methods for maintaining aggregate effective demand and full employment. We need not go into the theory of the matter.[5] Suffice it here to say that by increasing public expenditure and raising the necessary sums through taxation, it is thought, a redistribution of income can be effected, large enough to reduce the propensity to consume of society as a whole and to increase aggregate effective demand. It is generally admitted that, in order to achieve a given increase in aggregate outlay, public expenditures must be increased more if they are financed by taxes than if they are financed by loans—how much more depending chiefly on the type of taxes and of expenditures.

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[3] For a discussion of the expenditure method, see the League of Nations report quoted above, pp. 168–172, and K. E. Boulding, "The Economics of Peace" (New York, 1945), pp. 160 et seq.

[4] We may confine ourselves here to general unemployment. But those who put forward the view discussed in the text usually do not distinguish between general and partial unemployment, although it is relevant also in the present context. But it is possible that the method under consideration would be more effective in dealing with partial unemployment than the deficit-finance method.

[5] See H. C. Wallich, "Income-Generating Effects of a Balanced Budget" Quarterly Journal of Economics, vol. 59 (November 1944), pp. 78–91; M. Kalecki. "Three Ways to Full Employment" in "The Economics of Full Employment" (Oxford, 1944); N. Kaldor, "The Quantitative Aspects of the Full Employment Problem in Britain," app. C to W. Beveridge, "Full Employment in a Free Society" (London, 1944).

We cannot discuss here whether any deficiency in aggregate outlay, however large, can be removed by this method (in the sense in which it can be removed by loan expenditures) or whether there are any quantitative limitations beyond which it is impossible to go.[6] But that public expenditures, given the required increase in effective demand, must be much higher when financed by tax increases than when financed by loans, is certain.[7] For that reason, I have called this approach dangerous. In serious depressions, elimination of the bulk of unemployment by this method would probably require exorbitant increases in expenditures and of tax rates, implying a drastic redistribution of income, and the system would soon become incompatible with a free enterprise economy. There can be no doubt that, compared with deficit financing, the method of tax-financed expenditures as an antidepression policy (assuming that it is effective) is a real threat to the capitalist economy. This may sound paradoxical to many, for what most conservatives are afraid of is a deficit and a growing public debt. Their obsession with the public debt may thus lead them into a much more dangerous alley.

COMMENTS ON THE MURRAY BILL

(By Sumner H. Slichter)

The Government has a unique and inescapable responsibility for employment. This responsibility springs (1) partly from the fact that the Government is large enough to take account of the effect of its actions and policies upon the general situation, and (2) partly from the unique coercive powers possessed by the Government. Business enterprises, trade unions, and individuals are too small a part of the community to consider how their decisions and policies affect the general level of employment. Under existing institutions the business concern, the union, and the individual have the right to pursue their self-interest, regardless of the effect upon employment, so long as they conform with the law and with the ethical codes of the community.

The National Government, however, because of its very size, is in a position to take account of the effect of its actions and policies upon the general situation. If too many people wish to make a living by getting on someone else's payroll rather than by starting businesses of their own, the Government can do much to increase the attractiveness of new ventures. If savers place great emphasis upon security and prefer to lend their money to industry rather than to incur the hazards of business ownership, the Government is in a position to increase the attractiveness of business ownership. If the volume of investment opportunities is insufficient, the Government can do something about it. Under a progressive income tax, for example, the marginal efficiency of capital for different individuals depends upon the levels of the income of each. Our Government has seen fit to tax out of existence billions of dollars of investment opportunities by taking half or more of the marginal return of persons who do a large part of the saving in the community and who are best able to make adventurous investments.

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[6] N. Kaldor points out that "in the kind of circumstances which existed in Great Britain in 1938 * * * policies * * * which did not involve loan expenditure would have been ineffective or impracticable," op. cit., p. 348. He seems, however, to think of administrative and political difficulties rather than of fundamental, theoretical limitations.

[7] The expenditure required under the tax-finance method is much more difficult to estimate than under the loan-finance method, mainly because the effect of tax increases on private investment is almost impossible to foresee. Lack of any solid basis for estimating the influence of various policies, especially of the one under consideration, on private investment is the greatest weakness in N. Kaldor's ingenious calculations.

It is a forward step for the Government explicity to recognize its responsibility "to stimulate and encourage the highest feasible levels of employment opportunities," as the Murray bill proposes. The bill, however, goes far beyond recognizing the responsibility of the Federal Government to "stimulate and encourage" employment opportunities. It declares that all Americans able to work and seeking work have "the right to useful, remunerative, regular, and full-time employment and that it is the policy of the United States to *assure* (my italics) the existence at all times of sufficient employment opportunities to enable all Americans * * * freely to exercise this right."

To begin with, the statement of the "right" to work is based upon a narrow and oversimplified conception of the labor market. Millions of Americans prefer part-time employment to full-time employment. Apparently, no one has the "right" to part-time employment. The word "regular" is ambiguous. Does it include the millions of people who wish a few months of summer work? Do the millions of students who seek work between June and September have a "right" to employment opportunities?

The right is said to be for remunerative employment. How remunerative? For millions of persons, for young persons who are deciding whether or not to go to work or continue in school for another year or two, for thousands of older persons who are deciding whether to retire now or to work a year or two longer, for millions of persons who are not the chief income earners in the family (there are 10 million of these), the question of whether to work or not is a close one. It depends upon the kind of jobs industry offers—what the jobs pay, whether they are light and clean, hard or dirty, whether they are full-time or part-time, whether they are conveniently located. Many of the conditions which make jobs attractive, such as good wages, good working conditions, insurance benefits, are production costs and thus limit the number of jobs which industry can offer. Consequently, the attractiveness of working conditions and compensation may draw into the work force more people than can be employed at prevailing wages and under prevailing conditions. The drafters of the Murray bill do not seem to have thought of this. Does the Government have an obligation to "assure * * * sufficient employment opportunities * * *" to the people who are attracted into the work force because industry has raised wages and made working conditions more attractive?

Rights ordinarily involve duties. If people have "the right to useful, remunerative, regular, and full-time employment," what duties go with the right? Does the man who claims the "right" to employment have the duty of making himself employable? If his skills become obsolete, does he have an obligation to acquire new skills? If industries decline in some places, are workers under obligation to move to places where employment is expanding? Do would-be employees have the duty of making themselves worth the wage which they demand or of reducing their demands to the worth of their services? In the next revision of the Murray bill the duties which are correlative to the rights should be stated.

Although the Murray bill declares that men have the right to "employment," the Government would undertake only "to assure the existence at all times of sufficient employment *opportunities*" [italic supplied]. Hence the right of would-be workers is perhaps not to "employment," but to "employment opportunities." How does one measure the number of employment "opportunities"? A count of vacant jobs would be a help and should be a regular part of employment statistics. A count of vacant jobs, however, would not be sufficient. About one out of six persons in the United States is self-employed. They make jobs for themselves by discovering opportunities to sell their services. How would one count the unfilled opportunities for self-employment?

The most important question raised by the Murray bill is whether the Federal Government could make good on its undertaking "to assure continuing full employment." The bill is based upon the assumption that the volume of employment is closely related to the volume of spending and that the Government could make good its obligation simply by spending enough. Toward private industry the Federal Government, according to the bill, has the responsibility of pursuing such policies "as will stimulate and encourage the highest feasible levels of employment opportunities through private and *other non-federal investment and expenditure*" [italic supplied]. The bill goes on to state that "if continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment."

Within fairly broad limits employment and spending are fairly closely related. The connection between the two, however, is less close than many people suppose. One reason is that some types of unemployment are not sensitive to the amount of spending. Seasonal unemployment is an example. In the United States, there are normally a million or more persons who are seasonally unemployed. Since merchants are reluctant to stock goods heavily in the off seasons, the principal effect of more spending is to produce more overtime in the busy seasons rather than less unemployment in the slack seasons.

Wages and working conditions are more attractive in some industries than in others. Some strong unions, for example, have succeeded in gaining very favorable rates of pay and working conditions for their members, with the result that more people have attached themselves to the industry than can obtain steady work. This kind of unemployment is also little affected by increases in spending.

The American labor market is not a unity. It includes labor exporting areas and regions and labor importing areas and regions; it includes expanding industries and occupations and contracting industries and occupations. Most of the increase in employment opportunities occurs in nonagricultural industries. The country's excess of births over deaths, however, is made possible by the high birth rate on the farms and in the small towns. Consequently, a large movement of people from the country to the cities or a great growth of industry in the country is needed in order to absorb surplus labor in the country and to prevent labor shortages in the cities. Particularly stubborn and difficult to eliminate is the unemployment which occurs when an industry declines or shifts from one region to another. The reason is that, while most people are ready to change their occupations, they are reluctant to change the place where they live. Merely spending more money would not bring about the right geographical distribution of labor in relation to jobs. What is needed are (1) better arrangements to facilitate the movement of labor and capital from place to place, and (2) greater willingness on the part of labor and capital to move.

Finally, one must remember that all sorts and conditions of men seek jobs. Most members of the work force are industrious, reliable, reasonably intelligent, and able to get on with other people, but about 4 or 5 percent of the jobseekers have very limited intelligence or mechanical ability or are lazy or unreliable or "difficult." Among the several million persons who are in the twilight zone between being employable and being unemployable, the rate of unemployment will always be high.

These several types of frictional unemployment which are not sensitive to the volume of spending can in the course of time be subsantially reduced, but it would be folly for the Government to place much reliance upon private or public spending to reduce them. More direct methods are needed.

More spending may raise prices rather than increase employment. Indeed, this may happen even when there are large unemployed resources. Between 1933 and 1937, when expenditures for the product of industry increased about 60 percent, the cost of living rose about 15 percent and man-hours of employment went up about 20 percent. In 1937, there were still about 9 million men unemployed.

As full production is approached, the effect of increases in spending is more and more to raise prices and less and less to increase employment. The rise in demand is never evenly distributed among industries. Shortages appear in some industries before others, and the rise in prices soon spreads throughout the economy. Contrary to popular belief, the war has demonstrated that huge increases in spending may produce relatively small effects upon employment. Between 1939 and 1944, for example, an increase of 108 percent in expenditures on the end product of industry, exclusive of interest on the public debt and payments to the Armed Forces, raised the man-hours of civilian employment by only 38 percent. Between 1942 and 1944, expenditures for the product of industry increased about $40 billion or 30 percent, but man-hours of employment increased only 5 percent. In 1944, it took on the average an expenditure of $3.6 billion to produce a million man-years of employment. In order to produce the last million man-years of employment, however, an expenditure of over $16 billion was required. Evidently an undertaking by the Government to spend enough to assure full employment or close to full employment could easily commit the Government to huge outlays in order to put the last 5 or 6 million people to work.

The weakest part of the Murray bill is that it relies upon public spending to give jobs to the last 10 or 15 percent of the people. This is precisely the way in which public spending should not be used. Public spending here, of course, is used in the special sense of spending which would not be authorized except for employment reasons. Public spending is useful in times of recession as a stopgap to help offset a drop in private spending until an effective attack can be made upon the causes of unemployment. There are several reasons, however, why public spending should not be relied upon to provide jobs for the last 10 or 15 percent of the work force. In the first place, public spending is an attack upon results not causes. It does not remove the impediments to private employment—it simply compensates for them. Public spending is a way of dodging the problem of full employment, not a way of coming to grips with it. In the second place, public spending at fairly high levels of employment is even more likely than private spending to produce a rise in prices rather than an increase in employment. Part of an increase in private spending is usually devoted to increasing the capacity of industry to supply the kind of goods which consumers demand. This helps to hold down prices. Public spending on the other hand, while it may increase the demand for goods, does not necessarily have much effect upon the capacity of industry to produce food, clothing, fuel, shelter, and other articles which enter into people's ordinary standard of living.

The drafters of the Murray bill do not appear to be aware that attempts to put the last 10 or 15 percent of the people to work by public spending would require a high degree of regimentation. At about 90 percent of full employment, the supply of most commodities would become rather inelastic and the cost function for additional output from existing plants would be sharply rising. Under these conditions, price movements could not be permitted to control the allocation of resources. Increases in expenditures would easily touch off an upward spiral of prices. Comprehensive price controls would be necessary. So would control over wage increases. Indeed, increases in wages would have to be rationed to the capacity of the economy to provide additional consumer goods.

The drafters of the Murray bill apparently believe that an inflationary tendency could be quickly controlled by budget surpluses. Such control would scarcely be satisfactory. To begin with, it would not be practicable to take by taxation all of the additional income generated by demand in excess of the output that industry could produce without a sharp rise in cost. The Government might attempt to supplement the effects of taxation by borrowing and by hoarding the proceeds from the sale of its securities. This device, however, would not be sufficient. Both budget surpluses and Government hoardings have the important disadvantage of being nonselective.

Pushing employment up to a "close approximation" of full employment without touching off a price spiral must be achieved in large measure by attacks upon the slope of the cost curve. This could be done (1) by stimulating private spending to increase plant capacity, and (2) by encouraging (through tax policies) concerns to retire equipment after a few years of use so that standby capacity consists of fairly up to date and low-cost equipment.

Although industry in the past has always possessed a larger plant than the work force could operate at full capacity, much of the plant has been high-cost plant which has come into operation only in response to substantial advances in prices.

The Murray bill, with all of its grievous defects, has the important redeeming feature that it reminds people that public policy profoundly affects employment and compels people to face squarely the question of how much responsibility for employment should be assumed by the Government. In considering this question one should remember that the capacity of the Government to act is limited. The Government is not a unity. It consists of different parts and factions which have different theories about unemployment. Consequently, the Government may or may not be able to pursue a well-planned and consistent program. Indeed, the Government may find it easier to pass two inconsistent and more or less contradictory measures than to pass one measure. The supporters of one policy may get votes to put over their policy by agreeing to vote for an inconsistent measure desired by another faction. What bearing has the limited capacity of the Government to act upon the wisdom of the Murray bill? Two conclusions are possible. One conclusion is that an organization with such limited capacity for effective and consistent action should not make strong promises—in particular that it should not hold itself out as capable of assuring full employment. The other conclusion is that the internal obstacles to effective and consistent action by the Government are so formidable that only a bold undertaking to assure full employment can force the Government to reform itself and to develop capacity for effective and consistent action.

SOME PRACTICAL QUESTIONS ABOUT THE MURRAY BILL

(By Malcolm P. McNair)

The hearings on the Murray bill provide a useful forum for discussion of what has emerged as our chief domestic political problem. It would, however, be most unfortunate if this bill in anything like its present form were to be enacted into law.

The bill serves to focus attention on the usefulness of fiscal compensatory action by the Federal Government in periods of depression and boom; that is, the need of an underbalanced Federal budget in periods of depression and an overbalanced Federal budget in periods of boom. (It is a serious mistake, however, to set up special machinery for such compensatory action on a rigid year-to-year basis.) The Murray bill likewise serves a useful purpose in emphasizing the importance of bringing together in one place a consideration of all the factors bearing on the prospective total national output and consequently on the level of employment, since it is abundantly clear that the attack on the problem of employment must be made from a great number of angles by a great variety of measures. (It is exceedingly dangerous, nevertheless, to seek to translate all these complex considerations into a rigid piece of authoritarian national planning.)

The bill is entitled "The Full Employment Act of 1945." It is unfortunate, in the writer's opinion, that the term "full employment" is used without any definition. It is, in fact, even more broadly unfortunate that the entire discussion of this problem seems to have accepted so-called full employment as the issue. The language of the British white paper—"high and stable level of employment"—is much more realistic. (Perhaps even more acceptable would be the more modest objective of "reducing mass unemployment.") In any event, it is a defect in this proposed piece of legislation that there is no attempt either to define full employment or to make allowance for frictional unemployment.

The language of the bill in stating the responsibilities of the Federal Government raises many questions.[8] In an analysis of the bill prepared by Mr. Bertram Gross, one of the group who assisted in drafting the measure, the following language appears with respect to the general obligation of the Government:

> The bill explicitly asserts the right to work, and defines this right as opportunity for "useful, remunerative, regular, and full-time" employment. It then defines Government policy with respect to this right: to assure at all time employment opportunities for all who are able to work, are seeking work, have finished their schooling, and do not have full-time housekeeping responsibilities.

What does this mean? Would Government acceptance of a policy "to assure at all times employment opportunities for all who want to work" involve anything significantly different from acceptance of the obligation to guarantee jobs to all who want to work? If substantial unemployment persisted in spite of Government policies adopted "to assure at all times employment opportunities for all who want to work," would not administrative pressures force Government in the direction of defining jobs, controlling wages, establishing conditions of work, and coercing both employers and individuals? Clearly to the extent that Government moves toward the responsibility of guaranteeing jobs to everyone it must recognize the impossibility of guaranteeing to everyone a wide choice of jobs. Thus the acceptance of such a responsibility by Government inevitably means some substantial infringement of the freedom of the individual to choose the work which he will do. It is very doubtful in the writer's mind whether a majority of the American people would favor acceptance by Government of anything approaching an obligation to guarantee jobs if they visualized these ultimate implications.

It is now universally conceded that the Government has the obligation to guarantee a minimum standard of subsistence by relief or otherwise to persons out of work. But the Government also has the general obligation for the long run of seeking to improve the well-being of people, and it likewise has a paramount obligation to protect the freedom of individuals. In assuming any responsibility for employment, how far can Government go, beyond acceptance of the minimum responsibility for guaranteeing subsistence, without impairing these other important obligations? It is submitted that any notion of a guarantee of jobs in whatever language expressed is not compatible with these other obligations of a democratic government; in this area government should "promote" rather than "guarantee." Whereas government can effectively take measures and adopt policies looking to a longrun increase in the standard of living over a period of years, disregarding intermediate fluctuations, there is far greater doubt whether government in a democracy can undertake the guarantee of short-run continuity of employment.

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[8] The sections particularly referred to are as follows:

"SEC. 2(d) In order to assist industry, agriculture, labor, and State and local governments in achieving continuing full employment, it is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and programs as will stimuate and encourage the highest feasible levels of employment opportunities through private and other non-Federal investment and expenditure;

"(e) To the extent that continuing full employment cannot otherwise be achieved, it is the further responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment * * *."

Turning aside from this discussion of the broad philosophy of government responsibilities, we may raise some more immediate questions as to the practical effects which might follow the enactment of the Murray bill:

1. Is the measure workable from a technical standpoint?

There is extraordinary difficulty in making accurate predictions of economic events and magnitudes as far as 12 or 24 months in advance, which would be necessary for purposes of such a "national budget" as proposed to be presented to Congress in January for the following fiscal year. The existing data are subject to numerous imperfections, and the same is true of such additional data as might reasonbly be obtained. There is great uncertainty in many of the economic relationships involved, such as, for example, the relation of various types of spending to employment; the multiplier is not constant and may under some circumstances even be negative; in some situations Government spending may have the effect of raising prices instead of increasing employment. The pattern of economic relationships is so complex, slow moving, and in some parts obscure, and the data themselves inevitably lag so far behind the events, that a corner ordinarily cannot be recognized until several months after it has been turned. Hence the machinery proposed in this bill might well result in Government spending at the wrong time, that is, at such a time as to enhance inflationary pressures.

2. What would be the results of this legislation on the behavior of the Government as a political body?

Would not the administration be impelled for political motives always to find a prospective deficiency in the "national budget" and consequently always to recommend Government spending in each fiscal year? Would not local interests in different sections of the country be reflected in "log-rolling" tactics in Congress which would tend to increase the amount of Government spending? Would not the Government be prone to fall back on the spending remedy instead of taking the necessary measures to stimulate private enterprise? If Government spending was so easily available as a crutch, would Government ever take the steps necessary to a healthy revival of private enterprise?

3. What would be the results of this bill on the behavior of business?

Would businessmen be sufficiently encouraged and reassured by the adoption of these Government measures for underwriting employment so that they would expand their activities with such vigor as to make the spending provisions of the bill inoperative? Or would businessmen immediately assume that large Government spending under the provisions of this bill would inevitably cause a rise in taxes to meet the higher carrying charges on the increased debt, and would they therefore hold back and seek to avoid new risks? If the Government assumed that businessmen were going to act in some particular way over the ensuing 12- or 18-month period and laid out a program accordingly, is it reasonable to expect that businessmen's actions would not be affected by the Government's plans to carry out its program as soon as such plans became known? Is not a contrary expectation more realistic? And in that event, would the Government be able to alter its plans rapidly enough to take account of the changed pattern of business action?

4. What would be the effects of this bill on labor?

Would it not tend to decrease the mobility of labor? Would not labor try to interpret the Government underwriting of jobs as an underwriting of jobs for particular kinds of labor in praticular localities? Would not the existence of such legislation decrease the willingness of labor to accommodate itself to necessary industrial changes?

5. What would be the financial consequences of this bill?

Although it is plausibly maintained that Government debt incurred for purposes of increasing employment should present no more of a problem than private debt incurred for the same purposes, nevertheless a sharp difference lies in the fact that the projects of private enterprise financed through private debt normally are expected to earn their own carrying charges, whereas there is no guarantee that Government projects financed through Government debt will earn such carrying charges. Is it possible to try to set up such a yardstick of power to earn carrying charges with respect to so-called Government "investments"? If it is not possible to establish such a yardstick for Government "investments," and if the political aspects referred to above prevent this Government spending from having a genuinely compensatory character, then does not this bill point the way to a steadily expanding public debt over an indefinite period of time? Therefore, would not the long-run consequences of the bill eventually be the imposition and maintenance of rigid controls on prices, manpower, and materials in order to prevent development of the typical inflationary consequences? Finally, would not existing financial institutions and capital markets be so susceptible to the frequent variations in fiscal policy contemplated by the bill that they would be handicapped in carrying on their usual functions?

6. What would be the effects of the bill on Government administration?

Whenever the action contemplated under this bill failed to produce the desired results, would not strong pressures develop for the Government to take administrative action to change any behavior of either business or labor which seemed to be thwarting the attainment of the desired objective? Such further controls might include complete control of wages, control of the movement of labor, control of hiring by business. Furthermore, when the experts disagreed, or when long discussion by Congress delayed action, would not strong pressures appear for arbitrary administrative action by Government? And, as suggested above, would not the financial consequences of continued Government deficits force the imposition of many additional administrative business controls? Thus, would not any effective control by Congress gradually fade out of the picture?

7. What would be the effects of the bill on international relations?

Would the effect be to improve international relations by guarding against mass unemployment in the United States which might be transmitted to other countries through the mechanism of international trade? Or would the effect be to increase the resort to unilateral trade and currency measures by other countries because of shortrun measures adopted by the U.S. Government in the effort to maintain full employment—such measures as, for example, maintenance or increase of trade barriers to keep out products of countries with lower prices and wages, and maintenance of agricultural income by the use of export subsidies? In other words, is the objective of immediate full-time employment in the United States compatible with the longer run adjustments which are necessary if the United States is to fit into a world economy?

In summary, the Murray bill, despite the language which it contains with reference to the responsibility of the Government to stimulate and encourage private enterprise, actually seems to boil down to a single, centralized approach to our enormously complex employment problem, namely, the approach of Government spending. From a political standpoint enactment of this measure would make the use of Government spending as a general panacea virtually inevitable at all times; the year-to-year possibility of falling back on the spending remedy would tend to prevent effective trial of many of the other approaches which should be made to the employment problem. Practically, this bill makes the Government assume a statistical and economic forecasting task which is virtually impossible in a modern free society, not merely because of lack of some of the data but also because of the unpredictability of certain economic causes and effects and the inevitable time lag of statistical data behind the events which they reflect. Not least important, enactment of this measure would require too much centralized authoritarian planning, giving too much power to the President and his executive office, and tending in the long run to reduce the responsibility of Congress. In its ultimate effects the bill would go far toward creating a vicious spiral in which the existence of Government intervention would continuously increase the apparent necessity for greater Government intervention.

[Selected Statements on S. 380 Before a Subcommittee of the Senate Committee on Banking on Currency]

FULL EMPLOYMENT ACT OF 1945

UNITED STATES SENATE,
SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C., Tuesday, August 28, 1945.

The subcommittee met at 10:30 a.m., pursuant to adjournment on Friday, August 24, 1945, in room 301, Senate Office Building, Senator Robert F. Wagner (chairman of the subcommittee) presiding.

Present: Senators Wagner, Radcliffe, Taylor, and Tobey.

Present also: Senators Murray and Lucas.

The CHAIRMAN. The subcommittee will come to order.

The committee has the very great distinction of having as our first witness today Secretary of Commerce Henry A. Wallace, who has been giving a great deal of study not only to this bill but to the whole problem. We are really very delighted that we have the opportunity to hear from the Secretary of Commerce now.

STATEMENT OF HENRY A. WALLACE, SECRETARY OF COMMERCE, WASHINGTON, D.C.

Mr. WALLACE. I assure you, Senator Wagner and members of the Banking and Currency Committee, that I am most happy to be here with you.

ENDORSEMENT OF THE BILL

I am wholeheartedly in favor of the passage of this bill. I consider it a most essential step in making a living reality of the economic bill of rights so clearly set forth by Franklin Delano Roosevelt. The economic bill of rights embodies the fundamental aspirations of all our citizens, which our great production potential will allow us to realize if only we have the vision, the courage, and the will to take the necessary action.

The economic bill of rights in essence recognizes the right of the worker, the businessman, and the farmer to prosper in a climate of full opportunity; the right to a decent living; the right to a decent home; the right to adequate medical care; the right to social insurance; and the right to a good education. These basic rights have taken their place in the hearts of the American people alongside of the original Bill of Rights.

The full-employment bill would give legislative recognition to the most essential economic right—"the right to a useful and remunerative job in the industries or shops or farms or mines of the Nation." Under this measure the Federal Government would, for the first time, recognize its over-all responsibilities for assuring opportunity of employment to all who are able and willing to work.

I am supporting the full-employment bill also because I believe—and the bill asserts—that private business must be the basic source of jobs in the American economy, because I believe in the preservation of our free-enterprise system, in the operation of a free market, and in the freedom of choice for producers, consumers, investors, and labor. I do not believe in the guaranty by the Government of specific jobs for specific individuals; I do not believe in wasteful methods of production, in made work, or in the suppression of economic and technological advance; I do not believe in putting Government into business in competition with private enterprise; and I do not believe in the regimentation of private business.

It is fitting, with the conclusion of the world's terrible ordeal and at a time of specific obligation to returning veterans and displaced war workers, that the Federal Government recognize its solemn responsibility for assuring full employment to its citizens. This responsibility involves more than a responsibility to assure opportunity for jobs to labor. It also means full use of our resources; it means opportunity for full production, a high volume of sales and profitable investment. As Secretary of Commerce, I am particularly mindful of these relationships because in the free-enterprise system it is vital that the Government assure opportunity to the job maker as well as the job seeker.

FULL EMPLOYMENT AND FREE ENTERPRISE

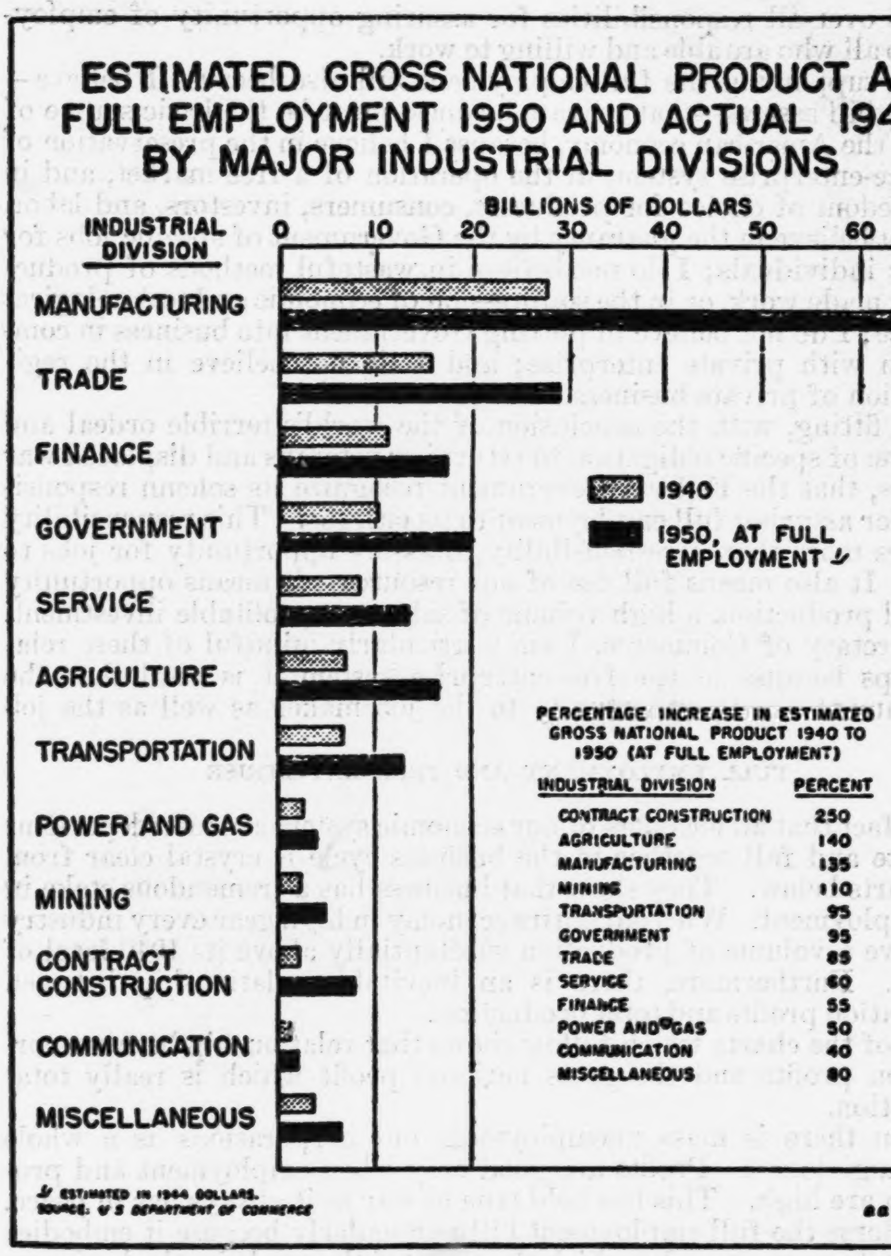
The fact that all elements of our economic system are interdependent and rise and fall together in the business cycle is crystal clear from the charts below. They show that business has a tremendous stake in full employment. With our entire economy in high gear every industry can have a volume of production substantially above its 1940 level of output. Furthermore, there is an inevitable relationship between corporation profits and total production.

One of the charts which follow shows that relationship between corporation profits and the gross national profit which is really total production.

When there is mass unemployment our corporations as a whole show huge losses. Profits are good only when employment and production are high. This has held true in war as it always has in peace.

I endorse the full employment bill particularly because it embodies the only known means by which the right of the workers, the businessman, and the farmer to prosper in a climate of full opportunity can be assured within the framework of the free-enterprise system. All other proposals that have been brought forward would either not give that assurance or would tend to undermine the freedom of enterprise.

The free-enterprise system, as we know it, has produced for us the highest standard of living ever achieved by any nation or any system. But periodic shocks, such as that of the depression thirties, have recurrently brought tremendous business as well as social loss. The prevention of these recurrent shocks is essential to the preservation and extension of the economic freedoms on which the American people are agreed.



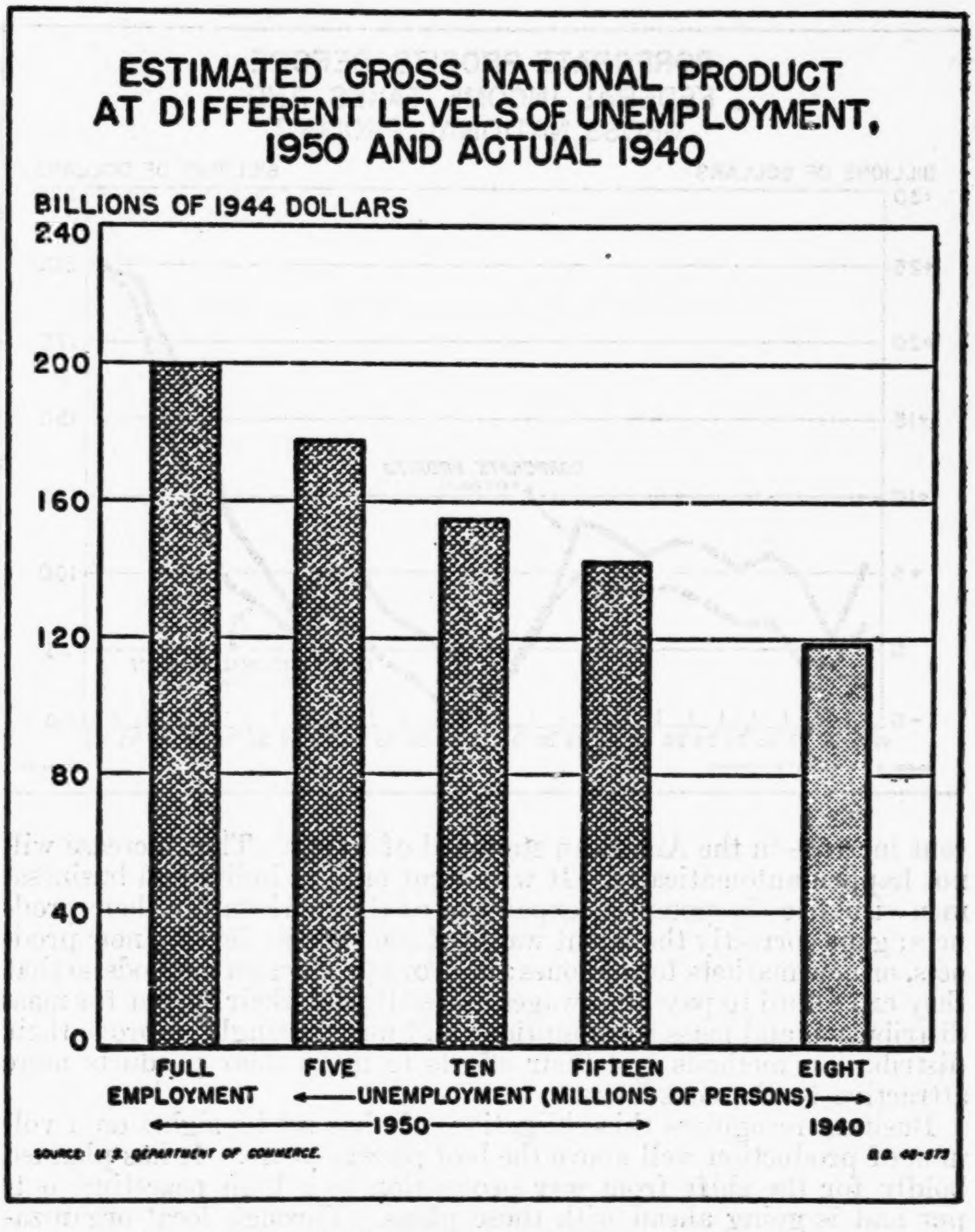
ESTIMATED GROSS NATIONAL PRODUCT AT FULL EMPLOYMENT 1950 AND ACTUAL 1940, BY MAJOR INDUSTRIAL DIVISIONS

PERCENTAGE INCREASE IN ESTIMATED GROSS NATIONAL PRODUCT 1940 TO 1950 (AT FULL EMPLOYMENT)

INDUSTRIAL DIVISION	PERCENT
CONTRACT CONSTRUCTION	250
AGRICULTURE	140
MANUFACTURING	135
MINING	110
TRANSPORTATION	95
GOVERNMENT	95
TRADE	85
SERVICE	60
FINANCE	55
POWER AND GAS	50
COMMUNICATION	40
MISCELLANEOUS	80

1/ ESTIMATED IN 1944 DOLLARS.
SOURCE: U S DEPARTMENT OF COMMERCE

The possibility that the difficult reconversion period will be followed by a temporary postwar boom should not blind us to the urgency of the problem. Such a boom will be followed by depression unless we are prepared with effective action. Our ability to achieve full production and employment promptly, to prevent postwar economic collapse, and to establish the conditions for an ever-increasing standard of living will be regarded by the American people and the world as the critical test of our free-enterprise system. In this test lies the challenge to our democracy; namely, how to get full production and preserve our economic freedom.



ESTIMATED GROSS NATIONAL PRODUCT AT DIFFERENT LEVELS OF UNEMPLOYMENT, 1950 AND ACTUAL 1940

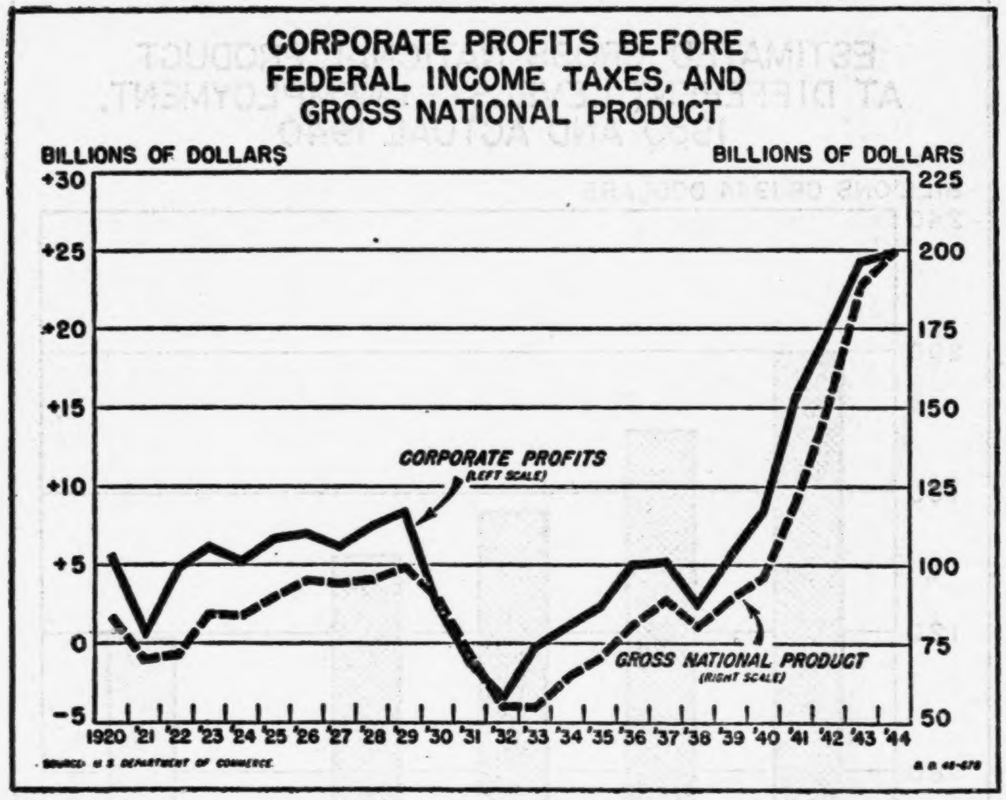
SOURCE: U. S. DEPARTMENT OF COMMERCE.

B.B. 46-373

THE ROLE OF BUSINESS

Business management must necessarily play a vital role in a full employment and full production program. The bulk of the jobs will be provided and most of the goods and services will be produced by private enterprise. The attainment of a full employment national output, which even in physical quantities is almost double the 1935–39 average, depends on the ability of individual businessmen to capitalize on the opportunities for sound expansion to put more people to work producing more goods and services wherever markets can be found.

Our postwar productive capacity holds the possibility of a 50-per-



CORPORATE PROFITS BEFORE FEDERAL INCOME TAXES, AND GROSS NATIONAL PRODUCT

SOURCE: U. S. DEPARTMENT OF COMMERCE

cent increase in the American standard of living. That increase will not happen automatically. It will occur only as individual businessmen visualize the potential expansion of the markets for their products; gage correctly the latent wants of consumers; develop new products, or new markets for old ones; improve production methods so that they can afford to pay high wages and still price their output for mass distribution and mass consumption; and unremittingly improve their distribution methods and their efforts to make their products more attractive to the consumers.

Business recognizes this obligation. It has set its sights on a volume of production well above the best prewar years. It has planned boldly for the shift from war production to a high peacetime output and is going ahead with those plans. Through local organizations, it is studying the problems and possibilities of individual communities and helping to plan the development of those communities. Far-sighted business leaders are already looking ahead to the problem of filling the gaps in their particular markets when there are no longer any deferred demands.

But business management should not be saddled with the responsibility for maintaining full employment. Within the limits of competition, and of the profit-and-loss statement, the individual business can often take effective action to stabilize its own employment and output. It may be able to plan its expansion and modernization so that these outlays are not crowded into the last stage of a boom period, thereby adding to the cyclical swing. No individual firm, however, should be expected to employ people producing goods or services for which it cannot find a market at a reasonable price. That assurance of adequate market opportunity, which is essential to full production and employment, is the responsibility of all the people, including business management, acting through their chosen representatives in Government.

I urge that Government policy and program be framed in such a manner as to maintain and strengthen private business as the basic source of actual jobs, incomes, production, and investment and I see no conflict with this objective in the full-employment bill. The Government must take the lead in the adoption of such measures, but business cannot support them wholeheartedly unless it does have confidence and assurance in their success.

Now, if we do assure an economic climate in which business can feel confidence in a continued high level of production, sales, and employment, I believe business will find itself set free to cooperate in measures to which it could not consent under the previous conditions of recurrent rise and fall in prosperity levels.

RESPONSIBILITY FOR FULL EMPLOYMENT

The fundamental feature of the full employment bill is the recognition of the responsibility of Government to assure opportunity for full production and full employment. There is today almost universal agreement on the necessity of Government action when disastrous deflation threatens our economic system. The issue before this committee and the Congress is not whether the Government should do anything to mitigate depression. This issue rather is: Shall the Government act merely to prevent mass unemployment or shall it strive to maintain full production and full employment? I want to urge emphatically that the goal of this bill be kept as it is—assuring the opportunities for full employment—and that it not be watered down to the prevention of mass unemployment, the promotion of high levels of employment or any other ambiguous compromise.

Of course, the idea of full employment does not mean the total absence of unemployment. There is always an inevitable amount of frictional unemployment. Even during the inflationary period of wartime, when we had more than full employment, there were some unemployed and there will undoubtedly be more unavoidable unemployment in the postwar period. Furthermore, setting our goal at full employment does not mean that we expect perfection in achieving it. With a dynamic economy such as ours there will always be changes in products and in markets that will necessitate some fluctuations in economic activity. But if we recognize full employment as our goal it means that we shall be vigilant in watching these fluctuations and prompt to take action to counteract them. The alternative would be a wait-and-see attitude which would allow deflation to gain impetus and to spiral.

Faced with a shrinking total market demand, private business under a competitive system cannot act collectively to maintain high levels of production and employment. Individual enterprise, labor, the farmer, the consumer—these groups are all helpless in the face of shrinking markets and the spiral of deflation. Only the Government, the agent of all the people, and of all the elements of the economy can under these conditions take the measures necessary to sustain the level of sales so as to make it profitable for private enterprise to continue to produce at high levels of production.

EXERCISING GOVERNMENT POWERS

The full-employment bill contemplates that the normal functions of Government would be exercised on a continuing basis in a manner to stimulate private consumption and investment, so as to produce a climate of fullest opportunity for private enterprise to maintain and increase levels of production and employment. This long-run function has frequently been overlooked in public discussion of this bill, but it is a basic part of its provisions and should be fully understood.

Public attention has been largely centered on the shortrun provisions of the bill; namely, those which call for Government expenditure programs to make up a deficiency in market demand and prevent deflation when other measures fail. Because of this provision in the bill, it has been characterized by some as nothing more than a spending bill. This is not the case.

The bill is very specific in directing both the President and the Congress to utilize all other means at the disposal of the Government in an effort to keep the stream of private consumption and investment expenditures at the full-employment level before resorting to the use of Government financial resources. It must be recognized, however, that these other methods will not always be sufficiently effective or sufficiently quick-acting to prevent a deflationary spiral from getting under way. Under such circumstances, it is only the assurance that the Government will use its financial power to prevent shrinking markets that will induce business to continue to produce at full employment levels. Without this assurance and without Government implementation of it, we are sure to see the familiar spectacle of inventory liquidation, cutthroat competition, stoppage of investment programs, mounting unemployment, and farm foreclosures whenever deflationary forces are unloosed.

I want to emphasize that while this pledge of financial support is essential to the full-employment bill, I do not believe it should or will have to be used continuously. The means by which we must maintain full employment and full production in our economic system is to preserve the golden mean in the distribution of purchasing power so that business has both the incentive and the funds for profitable investment, while, at the same time, the mass of consumers have the purchasing power to buy the goods that industry produces. This can be achieved only by an adequate level of wages which keeps pace with rising productivity. Mass purchasing power must be sufficient to allow full utilization of productive capacity without dependence on an unduly large volume of investment which cannot be sustained. Overinvestment relative to consumption, such as we experienced in the late twenties, will inevitably lead to the spiral of depression. The key to sustained prosperity lies in mass consumption, mass distribution, and mass production. This is nothing new to business. In fact, it was Henry Ford, one of our greatest businessmen, who led the industrial world in the drive for higher wages, lower prices, and mass markets.

INTELLIGENT PLANNING VERSUS PLANNED ECONOMY

The full-employment bill does not call for a planned economy. As I have publicly stated, I am against a planned economy but I am for intelligent planning to keep our American economic system competitively free and vigorous. I agree with Senator Taft that "someone should be doing the job of studying and collecting the facts so that we can have intelligent planning." The full-employment bill would provide a mechanism for using the combined intelligence of the Nation to increase the efficiency of both individual enterprises and of Government policy and action. The suggested National Budget procedure is an effective way of developing the factual information necessary to promote full production and full employment under the American system of private enterprise.

Particularly desirable is the coordinating procedure outlined for the Congress and the executive establishments. The Federal Government, throughout its history, has dealt with problems affecting the economy as a whole, but sufficient provision has never been made to insure that the various measures taken were integrated and consistent. The vastness of our Federal establishment and the multitude of problems confronting the Congress have made it difficult for either the executive or legislative branches of the Government to obtain a balanced over-all view of the total economic effects of Federal policies.

The organization and procedures outlined in the full-employment bill for the preparation of the National Budget and the quarterly reports on the economic situation would provide the mechanism for bringing about the needed coordination and consistency. The work of the various executive departments that has bearing on full employment would be better integrated. So would, through the creation of the Joint Committee on the National Budget, the work of the various congressional committees that deal with economic problems which have over-all implications. Just as important, the organization background would be set for efficient cooperation between the executive and the legislative branches of the Federal Government in the formulation of these key economic policies and programs.

ACTION UNDER THE FULL-EMPLOYMENT BILL

The bill is only a first step in assuring postwar prosperity. It would not automatically bring about full production and full employment in the United States. Effective action to apply the principles of the full-employment bill is necessary to accomplish this objective.

This is recognized both by the executive and legislative branches of the Government. President Truman's legislative program, designed to deal with urgent problems of reconversion but with due consideration of the problems of our postwar economy, contains important measures for attaining the objective of full production and full employment. So do the proposals of Senators Kilgore and Pepper speaking for a number of their colleagues.

The American people do not expect perfection in our initial efforts in the war against unemployment and depression. But I do believe that they expect the Government to act vigorously, now, to assure full production and full employment.

We stand at the crossroads of our history. It has taken the most terrible of all wars to prove to us that the cooperative efforts of American business, agriculture, labor, and Government in winning the war could meet the challenge of full production and full employment. We must not enter the era of atomic energy without recognizing that continued cooperation of business, agriculture, labor, and Government is imperative to meet the challenge of full production and full employment in peace.

There are, of course, alternative methods of achieving full production and full employment. The totalitarian road and the road of a controlled economy are not the roads chosen by the American people. The full-employment bill maps out a road toward economic security and progress in keeping with American traditions and American ideals. It represents the conservative way of attaining full production and full employment. This is so because it imposes no direct controls, and does not contemplate interference with industry's function of developing its own potentialities. It specifically leaves the ownership, direction, and control of the production and distribution system completely in the hands of private enterprise and relies for its effectiveness upon providing a climate in which it will be profitable for business to maintain a full-employment volume of production.. It rests on the premise that if the market for business is maintained, business itself will provide employment opportunities for the workers of the Nation.

We cannot afford a do-nothing policy on the part of the Government because that would inevitably lead once again to recurring depressions. The only alternative to the full-employment bill is a planned economy which imposes specific controls on the production and distribution methods of business. This alternative obviously would mean the end of the free-enterprise system.

I earnestly hope that the American people will choose the conservative course between these two alternatives, and I support the full-employment bill because it would set us firmly on that course.

The CHAIRMAN. Thank you very much, Mr. Secretary. It is certainly very helpful to the committee.

Are there any questions by any members of the committee of the Secretary?

Senator TOBEY. I would like to point out, Mr. Secretary, that during the hearings which have preceded your appearance before us, there was one word which aroused some apprehension and a good deal of comment, and I would like to have your reaction to it. It appears on page 2 of the bill, section 2(b):

> It is the policy of the United States to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right.

I was impressed by the fact that all through your statement, at least 8 or 10 times, you definitely used the words "give assurance." I merely ask you this in view of the controversy that has arisen in this committee; do you agree with the authors of the bill, of whom I am one, that the purpose of this bill is to assure—give assurance of opportunities? Is that right?

Mr. WALLACE. That is right.

Senator **Tobey**. And the word means just what it says, assure them an opportunity to work.

Mr. **Wallace**. An opportunity; yes. But not any specific job to any specific individual.

Senator **Tobey**. I understand, then. Thank you very much.

The **Chairman**. Are there any other questions?

Senator Murray?

Senator **Murray**. Mr. Secretary, I assume from listening to your very careful statement, you are supporting this full-employment bill?

Mr. **Wallace**. That is correct.

Senator **Murray**. In view of your very exhaustive and careful statement it does not seem to me any questions I could ask could make that any more clear, so I want simply to congratulate you on the very splendid statement you have made.

The **Chairman**. Senator Taylor?

Senator **Taylor**. I merely want to congratulate the Secretary on the statement. I have been a long-time admirer of the Secretary. It certainly hasn't done anything to detract from that admiration.

The **Chairman**. Senator Radcliffe.

Senator **Radcliffe**. Nothing except that the statement is a very interesting one, indeed.

Mr. Secretary, in response to a question from Senator Tobey, you said you did not give assurance to any individual. I assume you also meant that that assurance did not contemplate or was not tied in with any particular form of activity, whether public or private.

Mr. **Wallace**. Both forms of activity are contemplated in the bill, but the primary emphasis in the bill is placed upon private activity, and the Government taking those fiscal, taxation, monetary, and other measures that will best further the maximum of private activity in the creation of job opportunities.

Senator **Radcliffe**. I gather from your statement you feel everything should be done, and I am sure we are all in agreement with that, to emphasize the need and the advantage of opportunity of private employment, and that should be our main objective in this matter.

Mr. **Wallace**. Yes; undoubtedly. I should like to say, in elaboration of my statement, that under the terms of the bill the Government would not only take measures toward increasing private business activity but that it would set into motion measures designed to counteract inflation, if the threat of inflation should arise.

Senator **Radcliffe**. I can see, Mr. Secretary, why in your remarks you would not attempt to be very specific in pointing out the various kinds of employment and various fields of employment, in an address of this kind; I can readily see that you would not attempt to go into details; but would you care to make any specific suggestions as to what might be a promising field for employment or the bulk of employment? Is there any particular form of activity you would like to mention?

Mr. **Wallace**. Well, for example, during the years immediately ahead the production of large volumes of needed goods for markets abroad would furnish a great deal of employment.

Senator **Radcliffe**. Well, not only for markets abroad but I suppose the need to manufacture and provide what is needed for civilians will certainly be a tremendous outlet, because I suppose all civilian activities, that is, activities so far as civilian needs, have been very much restritced, of course, during the war.

Mr. WALLACE. Yes, undoubtedly; that goes without saying. I suppose the first thing that is wanted is washing machines, and the second thing an automobile.

Senator RADCLIFFE. Wouldn't you probably say that the greatest opportunity is in bringing up to date the civilian needs?

Mr. WALLACE. Yes; the total demand at home will be much greater than production for abroad, although the demand will be great in the foreign market.

Senator TOBEY. Along that line, Mr. Secretary, if I may interrupt, Senator——

Senator RADCLIFFE. Yes; go right ahead.

Senator TOBEY. What did you give precedence to? The automobile was second. What was the first one?

Mr. WALLACE. Oh, I was just trying to be humorous.

Senator TOBEY. That is all right. We can stand a little humor here; but the point is that there will come a time in this country when the saturation point will be reached, when this pent-up demand will begin to be satisfied. In other words, there will come a time when this slack in production will be taken up and then is the time which you indicated in your treatise this morning will cause us to sit up and take notice. A depression may follow after we supply this demand, if something isn't done about it, and that is the purpose of this bill. I think that is sometimes lost sight of. It is a long-range bill. It is not for an emergency right now. So many people forget that. It seems to me that history does repeat itself.

Mr. WALLACE. If I might return to Senator Radcliffe's question as to where the job opportunities could be found under full employment, this chart (see p. 689) would indicate that the biggest opportunity would be in manufacturing. That is, if we had full employment in 1950 we could produce about $35,000,000,000 more in the way of manufacturing than we did in 1940; $35,000,000,000 more, I would say, would give us, oh, somewhat more than 4,000,000 jobs. Under that situation you might have, say, $14,000,000,000 more activity in trade. That would give us, say 2½ million more jobs. The chart would indicate roughly the importance of the different areas of our economic activity to job opportunity.

Senator RADCLIFFE. Mr. Secretary, in supplying these needs, various suggestions have been offered by way of legislation. For instance, some people have said that if taxes were reduced, more risk capital would be made available. Others have stated that if various so-called restrictions, actual or so-called, which exist upon business were removed, that that would be a matter which would tend to facilitate the operation. Have you any comments to make on any such suggestions as those?

Mr. WALLACE. If I might call attention to the chart (see p. 691) which gives corporate profits before taxes year by year from 1920 to date, it will be observed that in 1944 the total volume of corporate profits was about $25,000,000,000 as compared with the 1929 situation of, say, about $8,000,000,000. In other words, three times as great a volume as the corporations enjoyed in time of peace. If the excess-profits tax were removed and other taxes greatly reduced, the result would be to create a very large volume of corporate savings, assuming full employment. The query then comes as to what would be done, say, with an additional ten or fifteen billion dollars of corporate savings. Assuming that if they were put into manufacturing and other business enterprises, the result after a few years of such great volume of investment might be to build up a productive capacity several times as great as we have had in time of peace. That immediately raises the problem of mass purchasing power and illustrates the necessity not merely of favoring governmental measures that will result in a large volume of investment but also business measures and to some extent governmental measures that will result in a large volume of consumer purchasing power. Business investment without consumer purchasing power rapidly overreaches itself, as was the case in the late 1920's. The Government can be helpful in counseling with business and with labor in meeting a situation of that kind.

Senator **Radcliffe**. Of course our taxes are very much higher than they have ever been in our history. Do you feel the present basis of taxation would still have an ample opportunity for risk capital?

Mr. **Wallace**. No. The present basis of taxation does not give sufficient incentive to risk capital. It works very much against investment of risk capital.

Senator **Radcliffe**. Of course, we have the very difficult problem of knowing how to make any changes in that respect and at the same time raising the amount of money which is necessary to meet our interest charges and the cost of our Government. We have a problem there which is a pretty tough one.

Mr. **Wallace**. The only way it can be done is by full employment. That is the only way it can be done. If we have full employment the interest load on our debt can be carried quite easily.

Senator **Radcliffe**. The two are interdependent, are they not? You are going to have—you could not have full employment if you did not have business operating on a very effective basis, and certainly you could not have business very effective if we had a serious unemployment in this country. The interdependence between the two is so close, I take it, that no method can be put into operation or carried out which does not realize that one depends upon the other very closely.

Mr. **Wallace**. The whole problem becomes especially serious in view of the necessary size of the Federal budget after the war. We could get along, after a fashion, during the 1930's with a considerable volume of unemployment, because the interest on the Federal debt was small enough so that—well, you could get along. But with the Federal budget, as it will be after the war, full employment becomes a vital necessity.

Senator **Radcliffe**. Well, of course it does, but at the same time the operations of business to the fullest extent also become a necessity.

Mr. **Wallace**. It is the same thing. I don't make any distinction between the two. Full employment and full operation of business are the same, in my mind.

Senator **Radcliffe**. Well, they should be. Certainly in any system of private enterprise the connection between the two should be very close; in fact, they should run parallel, as you suggest. If we are able to develop and carry out successfully assistance to private enterprise, which will meet its substantial responsibilities, then that of course will give us practically full employment.

Senator TOBEY. There is one other element which I think one should give consideration to in appraising future business operations and future business cycles in this country. That element is overcapitalization, which you haven't touched upon here. That seems to be pretty largely lost sight of, but it has been present many times. I am not mentioning any particular corporations, but there have been some pretty flagrant cases in our American economy of overcapitalization.

Mr. WALLACE. Undoubtedly, Senator.

The CHAIRMAN. Well, thank you very much, Mr. Secretary.

Mr. Ira Mosher, president of the National Association of Manufacturers.

STATEMENT OF IRA MOSHER, PRESIDENT, NATIONAL ASSOCIATION OF MANUFACTURERS

The CHAIRMAN. You may proceed, Mr. Mosher.

Mr. MOSHER. Yes, sir.

My name is Ira Mosher. I am president of the National Association of Manufacturers, whose 14,000 members employ four out of every five manufacturing wage earners in the Nation.

My purpose in appearing before you today is fourfold;

1. To endorse the objective—full employment—to which these hearings are directed.
2. To compliment the sponsors of S. 380, the proposal which you currently are considered, for the openminded manner in which they have solicited and considered all varieties of opinion on the measure they propose.
3. To raise certain questions about the practical operation of the bill as it is now written; and
4. To suggest an alternate approach which manufacturers believe is far more certain to assure full employment than the proposal now under consideration.

ENDORSEMENT OF FULL EMPLOYMENT OBJECTIVE

With respect to the objective of full employment, one of the earlier witnesses appearing before this committee seemed to fear that businessmen might be opposed to the objective itself. I can assure him that his fears are absolutely unfounded.

The idea that private enterprise benefits when there is a pool of unemployment, because it depresses wage rates, is an exploded, archaic concept. Businessmen know that busy workers, producing enough to earn high wages, are the best customers that we can have.

Businessmen, therefore, can be numbered among the foremost advocates of full employment.

Businessmen are realists enough to know, of course, that a small degree of frictional unemployment always will exist when people are free to leave or change jobs at their own discretion. That fact is accepted by the sponsors of the bill and all other intelligent stu-

dents of the problem. I know of no responsible businessman, however, who hopes for one iota more of unemployment that this inescapable minimum that results from the voluntary actions of our free American citizens.

In fact, manufacturers have such high ambitions for the economic future of this country that they believe S. 380 is unduly conservative in accepting full employment as an adequate goal in itself.

Full employment is easily attainable; we expect to find it in military dictatorships, or in nations with living standards so low that everyone must labor steadily simply to live. Here in America we want and must have more than full employment; we want and must have full employment plus—full employment plus better wages, based upon increased production; full employment plus an ever increasing standard of living, based on a greater output of goods at more and more attractive selling prices; full employment plus economic, social and cultural progress; and above all, full employment plus the preservation of the freedom of choice—both economic and political—which has been the characteristic right of every American citizen.

TEMPORARY PROSPERITY PROBABLE

Manufacturers believe further that we have all the potentials for such a period of full employment plus in the postwar period. As we turn from the bloody pursuit of war into the constructive ways of peace, we shall have four prosperity factors:

(*a*) We have the greatest productive organization;

(*b*) We have the greatest skilled labor force;

(*c*) We have the greatest backlog of demand for goods and services;

(*d*) And we have the greatest accumulation and the widest distribution of buying power in the hands of the public—in the history of this Nation.

Such factors spell an almost inevitable period of prosperity, even though we must anticipate certain disruptions and hardships during the transition period. There will be sharp, but short, lay-offs during the retooling period; we already have seen evidence of those. But many workers have anticipated just such conditions. Indeed, in many instances, their accumulated savings seem adequate to finance a well-deserved vacation, since USES already reports "no applicants" for many existing peacetime job opportunities despite very substantial lay-offs. Our Federal and State governments, through their unemployment-compensation laws, have guaranteed even further protection for those who are temporarily displaced.

Unless we get hysterical over such a purely temporary situation, or unless we are incredibly stupid about the "reconversion" necessary in our wartime tax rates and other Government policies, it will take only a very short while until industry again is equipped to satisfy the Nation's pent-up demands, thus producing enough goods to provide employment for all our citizens who want to work.

The problem, therefore, is not of attaining full employment plus the other benefits that flow from a genuine prosperity, but of maintaining those conditions permanently.

THE BILL IS A DEFENSIVE PROGRAM

One of the NAM's principal questions about S. 380 relates to the pessimistic manner in which it approaches this problem of perpetuating the full employment which almost inevitably will follow our return to peace. The continuance of a pessimistic philosophy is a poisonous diet for a healthy economy and full employment.

S. 380 seems to assume that full employment and prosperity is an unusual phenomenon; that our normal economic status is to have a great deal of unemployment which must either be prevented by emergency stimulation of private enterprise or offset by deficit expenditure of Government funds.

NAM believes quite differently. We believe that full employment is a normal attribute of our economy; that unemployment does not just happen, but that it results from definite economic errors committed by business, government, agriculture, labor, or some other segment of our economy. We believe the Nation's first line of attack should be to prevent these economic errors; if it is successful in that, there will be no need either for emergency stimulants or for Government public works to take up the slack.

In other words, the sponsors of S. 380 seem to look upon mass unemployment as a cancer that is inherent in our private enterprise economy. Their bill, therefore, proposes that the President of the United States shall conduct an annual physical examination on our body economic, and that if he sees this cancer spreading he shall recommend adequate medical treatment which Congress may then prescribe according to its own best judgment. To the extent that it can, the Congress is expected actually to eliminate the cancerous growth. If that is not possible, however, it is instructed to provide a hypodermic, in the form of deficit spending by government, which will keep the sufferer from realizing that the cancer is still there.

We in industry, on the other hand, believe that our body economic is essentially healthy; that the cancer of unemployment will enter only if our economy is allowed to get into a rundown condition.

We are convinced that it is not sufficient merely to have a plan which at most is designed only to offset the unemployment consequences of unfavorable economic developments.

The future security of the American people individually, and of this nation as a whole, rests not upon a defensive program of permanent relief but upon a positive program for permanent prosperity.

I will anticipate a possible question right now by granting that in the past neither government nor business has known enough about the care of our economic body to prevent the virus of cancer from entering. Our lack of knowledge has allowed periods of mass unemployment to occur with discouraging frequency. But because that has been true in the past is no reason to assume that it must be true in the future. Both men in business and men in government have taken an intensive course in practical economics in the last 15 years. Both of us know much more about the functionings of our economy now than our counterparts did a generation ago. Certainly we should be able to put that increased knowledge to effective use.

THREE CAUSES OF DEPRESSION

We have learned, for example, that there are only three economic developments which allow the cancer of depression and unemployment to take root in our body economic. One or the other of these economic errors, or a combination of them, has been responsible for every depression suffered in America. These three economic blind spots are:

1. Mismanagement of the money and credit system in ways which convert prosperity into an inflationary boom, which must inevitably lead to a collapse of prices, production, and employment.

2. Granting or perpetuating special privileges which prevent the flow of goods and services at reasonable prices, thereby creating a lack of balance between various groups or various sections of the country.

Senator TOBEY. Would you care to give an illustration of that, Mr. Mosher, from your past experience?

Mr. MOSHER. I will cover that later, Senator.

Senator TOBEY. All right.

Mr. MOSHER. I have some illustrations. They are not too difficult to find in our past history.

3. Prevention of an adequate flow of private capital into productive, job-making activities.

NAM believes firmly that Congress, by taking proper action on the problems in these three crucial economic areas, can wipe out the threat of future mass unemployment in America.

In suggesting Federal action in these three areas, NAM is paralleling the policy recommended in section 3(b) of S. 380, in which it states that—

> the President shall set forth * * * a general program for encouraging * * * increased non-Federal investment and expenditure.

It must be evident that such Presidential recommendations are likely to be concentrated in the three economic areas that I have outlined above, inasmuch as depression and unemployment always originate because of our shortcomings in these particular directions.

NAM's philosophy differs from that expressed in S. 380, however, in the following manner:

THE NEED FOR PREVENTIVE ACTION

(*a*) We do not believe that such Federal action should be postponed until after the specter of unemployment appears on the horizon. By acting intelligently at the outset—now—we can prevent unemployment from developing, and can avoid any need for emergency action later.

OBJECTION TO GAP APPROACH

(*b*) We cannot accept the assumption in S. 380 that appropriate action to stimulate private employment may still leave an unemployment gap which will have to be met through unessential Government spending. With proper Federal policies in the three economic areas mentioned above, private enterprise always will be able to provide adequate employment; with proper Federal policies there never will be need for a "made work" program by Government.

As a supplement to my testimony, NAM will file with your committee a complete program of recommended action in these three critical economic areas. Some of the more important recommendations which will be contained in such a comprehensive program can be summarized here:

MONETARY AND CREDIT PROBLEMS

In the management of our money and credit system we must, for example, avoid the abuses which caused a boom and collapse in the prices of commodities after the First World War, a boom and collapse in the price of Florida real estate in the 1920's, or a boom and collapse in the securities market between 1926 and 1929.

It is generally recognized by economists, men in public life, and businessmen, that such monetary and credit abuses start an inflationary boom which has no alternative but to end in collapse. Serious as this problem has been in the past, it will become even more explosive in character in the years to come. The Federal Treasury estimates that our national debt will amount to $292,000,000,000 at the end of the 1946 fiscal year. If only 1 percent of the total debt were to shift into the hands of the Reserve banks, it would create nearly $3,000,000,000 of credit in the money market. The inflationary potentials of this can be realized by contrasting it to the $600,000,000, only a fifth as much, which touched off the great security speculation of the 1920's.

It is apparent, therefore, that proper management of our money and credit system, and particularly of our huge public debt, is essential if we are to avoid "booms and busts" in these coming years.

There is no man or group of men alive today who can sit down and spell out the exact manner in which that money and credit system must be managed. Most authorities will agree that it must be based on a stable, clearly defined monetary unit; most will agree that we must have definite limits placed upon the credit extension powers of our commercial banks; there is growing appreciation of the fact that our Federal policy must be revised so that interest rates may again become a guide to the degree of strain to which our financial system is being subjected. And there is well-nigh universal agreement that it is important for us to get the public debt into the hands of those who will hold it as a permanent investment until the bonds mature and are paid off.

The specific adjustments which are necessary to achieve these results need concentrated study by the best monetary and banking experts in the country. Our program, therefore, proposes that Congress create a special committee of such experts, commissioned to report specifically on what legislative changes are needed, what policies must be followed by the banking authorities in order to assure that we shall realize the maximum benefits from our money and credit system, and will not again have our whole economic system thrown into a tailspin through mismanagement in the financial field.

Now, the second blind spot is the—

ELIMINATION OF SPECIAL PRIVILEGE

The second great cause of depression is a lack of balance between the economic status of various groups and various sections in the country. Normally this occurs because of the granting or perpetuating of special privileges to one group at the expense of the others.

There has been a growing tendency here in America, ever since the First World War, to try to meet this problem by balancing existing special privileges with new privileges to other groups. In recent years we have given special privileges to labor to offset the earlier privileges given to business; on other problems we have benefited producers first, and then tried to give consumers an offsetting special advantage.

This policy will not work. We cannot maintain permanent prosperity in this country on the basis of balancing the special favors given one group by equal favors to some other group. We must have as our national policy the elimination of all special favors and all special privileges. That is fundamental. We must have an attitude on the part of the public, and especially on the part of Government, which will deny special privileges to any section or to any group.

NAM's complete program recommends, therefore, three main points:

MONOPOLY CONTROLS

1. That all monopolistic conspiracies whether by management, labor, or any other element in our economy, be eliminated promptly. This will require—

(*a*) Vigorous and impartial enforcement of the antitrust laws no matter how important economically or politically he may be who thus gets hit.

(*b*) Legislation compelling the recording in the United States Patent Office of all patent agreements, both existing and future, and both domestic and international, except those covering simple nonexclusive licenses and exchange of licenses.

(*c*) Vigorous efforts by the Federal Government to enter into agreements with other nations which will prevent the operation of all cartels which attempt to control production, distribution, or prices.

2. That Congress immediately initiate a program for the systematic elimination from the economic system of all subsidies (except those necessary for military security) as rapidly as possible without unduly disrupting our domestic trade and employment. Now, this means:

REDUCTION OF TARIFFS AND OTHER SUBSIDIES

(*a*) That our overall national policy should be one of gradual reduction fo protective tariff duties, the reductions in each case to be continued to that point which will maximize production and consumption under competitive conditions in the United States. The rate of reduction should be such that it does not unduly disrupt our domestic trade and employment. We should continue to regard the tariff as a proper means for protecting American industry, American workers, and American agriculture against "dumping" of foreign products in our markets and all other forms of unfair competition.

Senator TOBEY. Mr. Mosher, may I ask a question there? Did you favor or were you against the extension of reciprocal tariff agreements and a provision for a cut of 50 percent, in the President's judgment?

Mr. MOSHER. I am a little hazy about the exact position. In general we were in favor of an extension of the Reciprocal Tariff Act for a brief period. We thought that it was not proper for one individual, at his own discretion, to prescribe reductions as high as 50 percent.

Senator TOBEY. Don't you know that one individual gave some pretty good assurance?

Mr. MOSHER. Yes, sir.

Senator TOBEY. Didn't that modify your objection a little bit?

Mr. MOSHER. He might be with us today and be quite worthy, but he might not be with us tomorrow.

Senator TOBEY. But he has no monopoly in his heart and mind of the good things of life?

Mr. MOSHER. No.

Senator TOBEY. You don't believe that, do you?

Mr. MOSHER. No.

If I may return to my statement:

(*b*) On agriculture we urge that farm leaders provide the Nation with a sound agricultural program which will assure that farming will be restored as a free, self-supporting, profitable division of our economic system.

REGULATION OF LABOR

3. Much of the existing labor legislation is based on the principle of special privileges for labor. In recent years, these laws and their administration have created a situation which has operated against the public interest and has, in specific respects, retarded production and curtailed jobs. Much of this situation has resulted from the fact that the statutes and regulations dealing with labor relations have in the past few years become unworkable. They need revision to fit the conditions we now face in the reconversion and postwar period, revision which will eliminate the special privileges granted labor while, at the same time, protecting labor's rights.

We therefore recommend legislation to correct existing labor laws to provide specific responsibilities and obligations for labor as well as management; and to protect individuals in their right to work; to regulate union practices which restrict efficiency and maximum production or limit job opportunities; to permit management the same free choice in selecting its representatives (foremen and higher levels of management) as is accorded labor; to require that labor unions, as well as management, abide by their collective-bargaining contracts.

The third one of the blind spots is the matter of—

STIMULATING PRIVATE INVESTMENT

Our third great problem is to assure an adequate flow of private capital into job-making activities.

There can be no difference of opinion on the fact that those who have savings must have confidence in the future if they are to be willing to invest their funds.

Just what the creating of such a state of confidence in the minds of potential investors means in practice cannot be spelled out in black on white. At the same time it must be recognized that there are certain policies and practices on the part of Government which are certain to cause an almost universal loss of confidence.

Outstanding among these practices are Government manipulation of the value of the currency, irresponsible Government spending in excess of revenues, actual or threatened Government competition with private business, public statements by Government spokesmen attacking the fundamentals of private business, imposition of such extensive and complicated regulations that it is impossible for business to function efficiently, granting administrative agencies powers to issue orders from which there can be no appeal before the courts, and so on and so forth.

FEDERAL TAX PROGRAM

But aside from these psychological factors, there is one very tangible problem which must be met effectively in order to stimulate a high rate of investment. That tangible problem is our Federal tax program.

Recognizing that this committee is not charged with the responsibility for developing revenue measures, I shall not attempt at this time to spell out the complete tax program which industry recommends for permanent prosperity in this Nation. A comprehensive statement on this subject will be found in the complete program we will file with your committee. For the purposes of this hearing it will suffice to say that it is unwise to have rates so high that, through discouraging investment, we diminish the revenues of the Government.

Even allowing for the broadening of Federal Government activities before the war, for an adequate postwar defense program, for liberal aid to veterans, and for the increased carrying charges on the Federal debt, it is our opinion that a Federal Budget of not more than $15,000,000,000, exclusive of debt retirement, should be our goal when war expenditures ultimately are concluded. Under the tax program we recommend, the rates which will raise 15 billions of dollars under a normally prosperous business economy will be sufficiently low so as not to discourage the investment of private capital. They will be such as to permit a substantial reduction from present individual income-tax payments.

Such a reduction in taxes would provide a greater stimulant to our economic system than any conceivable peacetime Government spending program, and what is even more important, the increase in business activity and employment which would result from this procedure would be self-perpetuating, not a mere flash in the pan that could last only so long as Government continued to pour our money.

This, in extremely broad terms, is a summary of the prorgam which is presented in substantially more detail in the "Program for Permanent Prosperity" which we will file with your committee.

If these recommended policies are adopted there is no reason under the sun why the postwar prosperity to which we now look ahead confidently cannot be maintained indefinitely.

There is no sound reason for "booms or busts" in America. Booms and busts occur because of our own shortcomings—because of our failure to adhere to policies such as are here outlined.

Of course, we may continue to have human shortcomings in the governmental and managerial operation of that private enterprise system. For that reason the NAM endorses the principle of Federal aid in financing the handling of mass unemployment, and urgently advocates the continuance of our unemployment compensation systems to take care of frictional unemployment which results fom technological progress and other healthy aspects of growth in our economy.

PRACTICAL PROBLEMS IN ADMINISTERING S. 380

Against that background of the manufacturers' own philosophy toward full employment, I can now answer more concisely the specific inquiries contained in your invitation to appear before this committee.

THE RIGHT TO WORK

I can assure you unequivocally, for example, that manufacturers believe in the principle that "all Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment."

Obviously, this must be dealt with as a moral right—not a legal right enforceable in the courts. It is comparable to every American's right to go into business for himself; the opportunity must always be kept open, but no one can contend that some other private citizen—or the Government—has a legal obligation to provide the capital investment needed for the opening of that new business.

Since the right to useful employment cannot be enforced through the courts, the Federal Government obviously has a fundamental responsibility to follow policies which will stimulate and maintain full production and full employment.

And certainly it is appropriate, in discharging this responsibility, for the Federal Government to coordinate its own activities so as to "foster the highest possible sustained level of private and other non-Federal investment and expenditure."

THE NATIONAL PRODUCTION AND EMPLOYMENT BUDGET

Therefore, NAM sees no objection, in principle, to the preparation of a "national production and employment budget," but it does find difficulty in believing that such a budget, in practice, can be sufficiently accurate to provide a reliable guide for Federal action.

To gain some idea of how reliable these budget figures would be, just how good are large business organizations in forecasting? To get an answer to that question I asked one of our large, successful business corporations to get me a record of its forecasts of sales only 1 year ahead, and not the 2 years to be foreseen in the President's National Budget, and then I asked to see what it actually sold, back over a period of years.

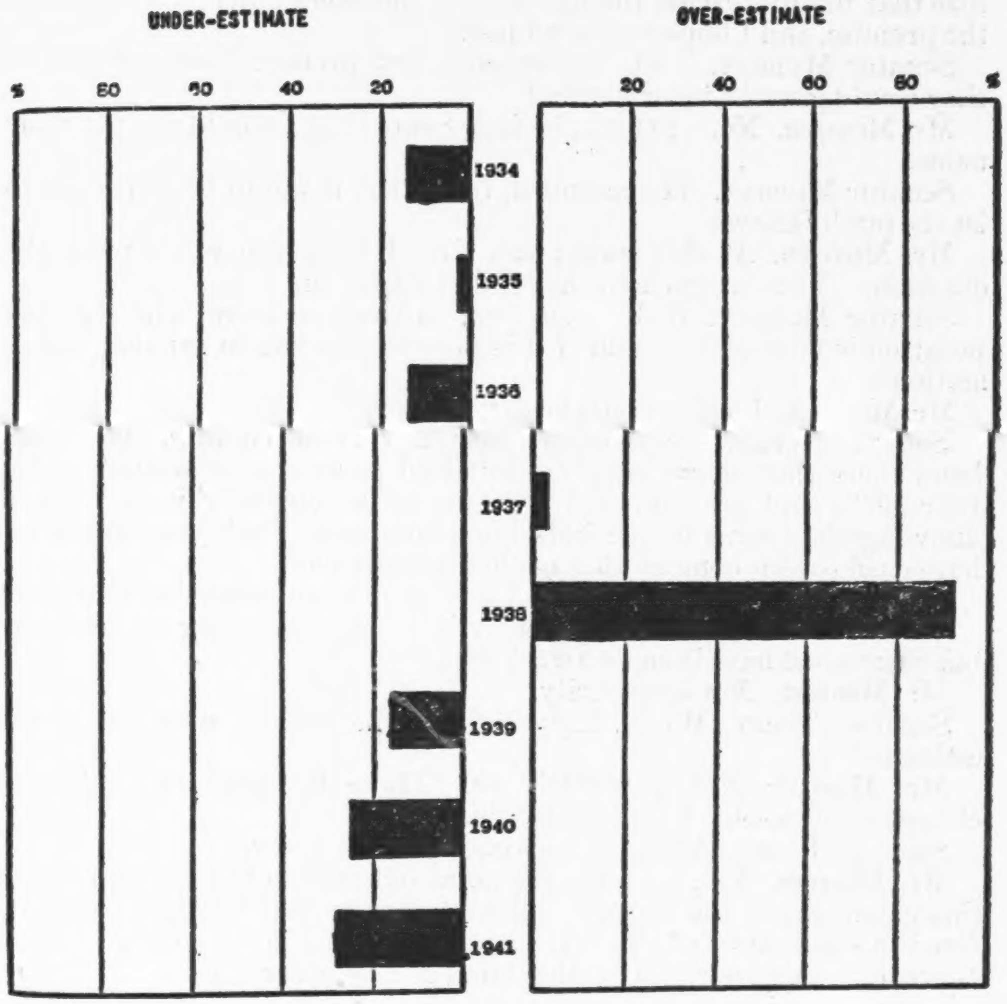
Now, that is the record I want to show you on this first chart. Bear in mind, here is a company, one of the largest and most successful companies in the country. It estimates its sales in January of every year for the succeeding 12 months—not 2 years ahead—and these figures show the error involved in their actual sales at the end of that year as compared with their estimated sales in the beginning.

You will notice that they underestimated in 6 of these 8 years. They overestimated in 2 years. The error in this year of 1938 was actually 90 percent. The errors in here [indicating] ran—I haven't these exact figures—but about 15, 15, 17 maybe, 25, 30.

Senator **Murray**. Mr. Mosher, might I ask what corporation you have reference to?

RECORD OF BUSINESS EXPERIENCE
IN FORECASTING

PERCENTAGE OF ERROR BY A LARGE CORPORATION
IN ESTIMATING SALES - 1934-1941



Mr. Mosher. Those figures are given me in confidence, and I can't disclose them.

Senator **Murray**. Well, it would be very valuable to know what corporation that was.

Mr. MOSHER. Well, I can't; I promised faithfully. I can't divulge the name. I can say this, Senator——

Senator MURRAY. Why should that promise be made? It seems to me in a matter of such great public concern as this that when that is used as a basis of opposition to this measure we should be given every opportunity to investigate it.

Mr. MOSHER. I should be glad, Senator, to ask the company to allow me to tell you who it is. I can say this, as a suggestion: That it is my honest conviction that similar figures secured from other companies will not be much different. I have tried to estimate budgets all my life.

Senator MURRAY. If that is true, then I do not see any reason why this particular corporation should be anxious to keep this information secret.

Mr. MOSHER. Well, I presume if others were supplying similar information perhaps they would not object, but I hope you will recognize that in order to get the figures, and get them quickly, I did make the promise, and I hope you won't insist.

Senator MURRAY. And they exacted that promise from you before they would give the information?

Mr. MOSHER. No. I think, in fact, I said that I would not use their name.

Senator MURRAY. You assumed, then, that it would be improper to let the public know?

Mr. MOSHER. At this stage; yes, sir. I hope you won't press the question. You recognize the hole I find myself in.

Senator MURRAY. Well, I am very anxious to know who the corporation is you refer to, and if it is possible for you to get that information——

Mr. MOSHER. I will undertake to get it, sir.

Senator TOBEY. Mr. Mosher, that is very intriguing, that black band there that shows nearly a hundred percent overestimate in the year 1938; and granting that is true, as undoubtedly it is, without knowing the source of the individual company, I ask you, sir: What happened to that concern that made that faux pas?

Mr. MOSHER. Well, I presume [laughter] I can remember that year.

Senator TOBEY. Well, apparently, it is still carrying on business, but there must have been an awful debacle.

Mr. MOSHER. Not necessarily.

Senator TOBEY. What happened to the fellow who made the estimate?

Mr. MOSHER. Not necessarily so. Those budgets are subject to change every week. Let me point this out——

Senator TOBEY. About a hundred percent error.

Mr. MOSHER. Yes, sir. Let me point out that in the spring of 1938 this country had the biggest, quickest decline that business ever suffered in the history of this Nation, and that was in the spring of 1938. It went down faster and further than at any other time.

CAUSE OF THE 1938 DEFLATION

Senator MURRAY. What was the cause of that rapid decline?

Mr. MOSHER. I have to ask Mr. Gebhart, my assistant here, to briefly go into the details.

Mr. GEBHART. There were a number of causes for it. One thing was the sudden shift in the fiscal policy of the Government. You remember sometime in 1937 the expenditures were cut, and then they felt that it was necessary to increase the expenditures, and the decline came with that period.

Senator MURRAY. Well, that cut was brought about because of the fact that we were entering an inflation at that time, was it not? The Government shut off on public expenditures because prices had risen. All the big corporations of the country had raised their prices and were making enormous profits during that period, and there was a danger that we were entering an inflation.

Mr. MOSHER. It was believed, Senator, at that time——

Senator MURRAY. Yes.

Mr. MOSHER. That the move was taken to prevent an inflation.

Senator MURRAY. Yes.

Mr. MOSHER. It caused the opposite.

Senator MURRAY. And that inflation was occurring in the midst of our period of depression when the Government was spending billions of dollars to bring about employment. The large corporations raised their prices and were skimming the cream off of the Government spending; isn't that true?

Mr. MOSHER. I don't know that I can agree with you to that extent.

Senator MURRAY. Well, if you are familiar with the facts, you would be compelled to agree to it, because the corporations reporting their 1937 earnings all showed that while we were engaged in the Government-spending program they were making profits in excess of their profits of 1929, which was the highest period of industrial activities in the United States.

Mr. MOSHER. You are talking profits before taxes?

Senator MURRAY. I am talking about profits after taxes.

Mr. MOSHER. Oh. I haven't——

Senator MURRAY. You can read it in the Treasury reports.

Mr. MOSHER. I haven't the thing in mind.

Senator MURRAY. Well, I have them very well in mind because I looked into it at that time, and they are on record in all of the journals reporting on Wall Street activities. They had them completely in their papers at that time. I introduced one of them in the Congressional Record for that period. Now, that was the cause and that is what prompts me to wonder. You say in your statement here that because business made these errors in the past there is no reason to assume that it is going to be true in the future.

Mr. MOSHER. I think that is a fair assumption.

Senator MURRAY. Who is going to take care of that for business? Individual businessmen can't.

Mr. MOSHER. I do not think business can do it alone. I do not think Government can do it alone. I do not think any segment of this economy can do it alone. But I think that we have learned enough, Senator, in the last 15 years so that working together we certainly can accomplish a lot.

Senator MURRAY. Yes. Well, that is exactly what this bill proposes to do. This bill proposes to sit in and assist business in meeting these problems. But you are opposing this bill, and you are assuming that business is going to do this.

Mr. Mosher. No, sir; I am not assuming that business will do it itself. I am assuming that under the aegis of government, under the combination of all the factors of this economy, we can accomplish certain things by doing a lot of things.

Senator Murray. Well, isn't that exactly what this bill is proposing: under the aegis of government that we are going to do this? Isn't that exactly what this bill is?

Mr. Mosher. I do not read that in the bill, sir.

Senator Murray. Well, I do not see how you can avoid reading it in the bill, if you read the bill.

Mr. Mosher. The bill provides, does it not, that a national budget shall be drawn up?

Senator Murray. Yes.

Mr. Mosher. And then certain recommendations shall be made by the President to the Congress?

Senator Murray. Yes.

CONGRESSIONAL RESPONSIBILITIES UNDER THE BILL

Mr. Mosher. And then the Congress shall do as it pleases?

Senator Murray. No; it doesn't provide that Congress shall do as it pleases. It provides certain fixed things for them to do following that. It provides also that the Government shall, through its utilization of these reports that will be brought to it, determine in advance the trends that may be developing in the country, and seek to offset those trends by proper legislative acts and proper action on the part of the Government to prevent their development.

THE NEED FOR PREVENTATIVE ACTION IN ADVANCE

Mr. Mosher. Our point, Senator, is that we believe that the country should not wait until the depression comes along to take any of those moves.

Senator Murray. Exactly. That is exactly what this bill is designed to do.

Mr. Mosher. Why wait? Why wait until you see that depression?

Senator Murray. It doesn't wait. It provides here that the Government shall do this in advance. That is exactly what it is here for, what this bill provides for. It provides for setting up a machinery by which the Government undertakes to study these economic conditions in advance and prevent the development of inflation or deflation. In either event the bill provides for the appropriate action to be taken. I cannot understand how you assume that this bill does anything other than that. A plain reading of the bill, it seems to me, would make that every clear.

Mr. Mosher. Well, I think I have already said—if not, I'll say it now—that the bill does provide for the accomplishment of certain things, many of which are presumably in these three economic fields which I tried to outline, sir. Our principal point is that we think that those things can be fixed and should be fixed prior to foreseeing the depression.

If I may be allowed to finish, I have only a few remarks more. Perhaps I shall cover some of the things that you have in mind.

Secretary MURRAY. Well, what I am anxious to find out is how you propose that business or enterprise is going to do this without having the Government sit in on the picture.

Mr. MOSHER. Well, I do not propose that, sir. I propose that under proper congressional action the framework be built up.

Senator MURRAY. You say here on the bottom of page 5:

> NAM's philosophy differs from that expressed in S. 380, however, in the following manner:
>
> We do not believe that such Federal action should be postponed until after the specter of unemployment appears on the horizon.

I do not see where you read into this bill any provision which would require a delay until after unemployment appears. That is exactly what the bill proposes to overcome.

Mr. MOSHER. May I ask you a question, sir: Does not the bill provide for the drawing up of a national budget?

Senator MURRAY. Yes.

Mr. MOSHER. And if that national budget foresees unemployment, then that certain steps should then be taken?

Senator MURRAY. If it foresees the development of trends which will indicate that we are going to have a situation of unemployment; and when that indication shows up, then the Government undertakes to offset it. It doesn't wait until after the—in fact, that is exactly the argument in support of this bill, that rather than wait until these economic conditions develop, the Government is going to keep a watch on the situation and undertake to aid and encourage and assist enterprise in every way to meet these developing conditions.

Mr. MOSHER. Yes, sir.

Senator MURRAY. To prevent the unemployment from coming on.

Mr. MOSHER. Yes, sir.

May I go ahead with the statement?

Senator MURRAY. Yes.

Mr. MOSHER. Just for the record, Senator, I have in front of me the Treasury statistics of income and certain Department of Commerce estimates which show that the net income of manufacturing corporations in the United States in the year 1929, in millions of dollars, after taxes, was 3,953 millions of dollars. In 1937 the figure is 2,550. The 1938 figure is 908 millions of dollars.

Senator, you asked me what happened to that corporation in 1938. Perhaps those figures might indicate what probably happened to the profit and loss account.

Now, coming back to this chart——

The CHAIRMAN. What page are you reading from there?

Mr. MOSHER. My copy doesn't follow yours. What page is that?

Mr. GEBHART. Page 11.

ERRORS IN FEDERAL ESTIMATES

Mr. MOSHER. We want to bear in mind that this company lives by anticipating its market, and in consequence it hires what it thinks are the best men in the country to make those estimates for it, and this is as good as these outstanding experts have been able to do—able to do, mind you, in forecasting, not such incredibly complicated factors as would go to make up the National Budget, but the relatively simple item of how much of a given product the American public is going to buy during the next year.

It may be contended however that the Federal Government can do a far better job in estimating than can be done by any individual enterprise.

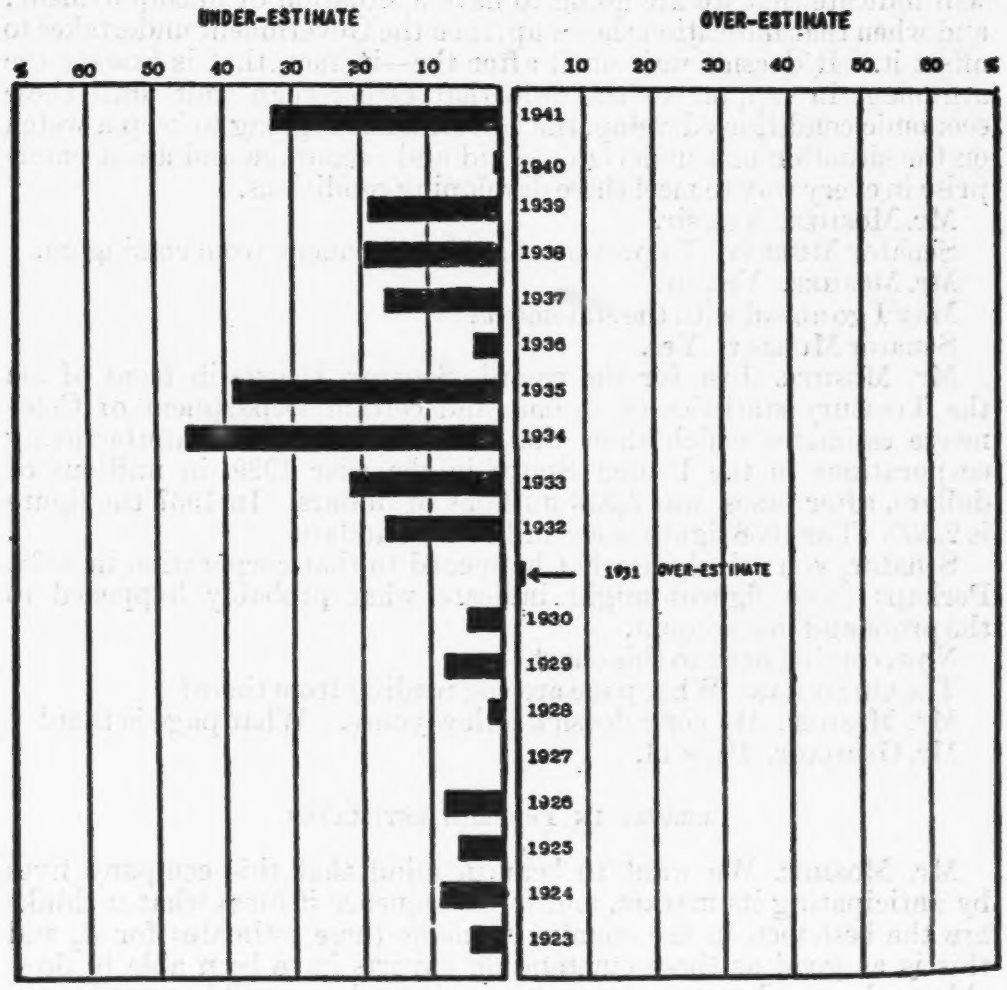
I want to stop a minute and look at the record.

The closest parallel at present in Federal estimating is the Treasury Department's estimates on anticipated Federal expenditures. Let us check the accuracy here.

RECORD OF GOVERNMENT EXPERIENCE IN FORECASTING

PERCENTAGE OF ERROR IN ESTIMATING FEDERAL EXPENDITURES

1923-1941



SOURCE: Annual report of Secretary of the Treasury.

The second chart shows the percentage by which the Treasury's estimates of Federal expenditures have varied from the actual final figures. Here is a chart that runs over a period from 1923 to 1941, a matter of some 19 years. In one year the figure came out even. In one year, '31, they overestimated. In 17 years they were under by these varying amounts, and we have in 1934 a figure that runs up to 46 percent. Now, that chart shows the minimum error that we can expect in a national budget, because estimating Government expenditures for the coming fiscal year obviously is a substantially easier job than estimating total expenditures and investment of every man and woman, every corporation and every other form of business enterprise, every branch of Government, and so forth.

Now, I would like to pass those two examples by for a moment and just make the assumption that it is possible to make an accurate estimate of non-Federal investment and expenditure.

Senator **Taylor**. Mr. Mosher.

Mr. **Mosher**. Yes, sir.

Senator **Taylor**. We might make the observation that the worst error the Government ever made was 45 percent, and your corporation made ninety-some percent error.

Mr. **Mosher**. That is a good point if it wasn't for one fact, sir: that in the case of the corporation, on the sales figures, those are the actual result at the end of the year, compared to what they thought was going to happen. Now, they didn't go ahead and produce and let this country fully produce and have it on the shelves. They corrected their estimates as they went along. On this Government expenditure sheet these are actual expenditures made against a preliminary estimate. There is a wide difference. They are on opposite sides of the fence. I can quite agree with you that taking it as you took it then, as you had every right to take it, it looks a little tough. In this case, if we are dealing with an underestimate of any percent you want to take, we are talking a great many billions of dollars. In the case of any individual company it is relatively small; although it may be a big item to the company.

Senator **Taylor**. Well, of course, the company is relatively small in comparison to the Federal Government. In their underestimates of their requirements in those days, in '34 and '35, which were for relief, possibly those making the estimates had too much confidence in private enterprise to take up the slack, and when it failed they had to come through. They had to come through.

Mr. **Mosher**. That could well be, sir. But go back to the earlier years, if you wish, and throw out the item as to what private enterprise could or could not do, and look at your '23, '24, '25, and '26 figures. When you have an error of 5 percent of a $200,000,000,000 budget, you have $10,000,000,000, which is a large proportion of any future peacetime budget. I mean the error is staggering.

I want to take up another thing.

Senator **Murray**. Don't you believe that there has been a great advance in these statistical studies and the ability to forecast in recent years?

Mr. **Mosher**. I think there has been a great deal of improvement, yes, sir; but not to the end that we can hit these figures.

Senator Murray. Didn't the Government forecast in 1937, long before we reached a dangerous period, that there was going to be an inflation as a result of the rapid rise in prices and the rush to fill inventories in that year? That was made public.

Mr. Mosher. Well, having arrived at that assumption and having taken the step they did, would not one suppose that the steps they took would have been just enough to prevent the inflation and to have maintained the economy? Instead, the steps taken threw us into a very serious, sharp depression.

Senator Murray. The steps taken were merely to slow down on Government spending, but the avalanche had already started there. But business having increased their prices and having started that rush to fill inventories, you had a situation that could not be checked immediately.

Mr. Mosher. But I think we are a little at cross-purposes on our premise. I am making the premise—I took your statement that the Government took this move in the fall of 1937, or whenever they made it in 1937, for the purpose of preventing further inflation.

Senator Murray. Yes.

Mr. Mosher. Now, then, I then asked the question: "Under those conditions would not one suppose that the steps that were taken would have been enough to have prevented the rise of inflation and to have kept the economy at an even line?" But the step the Government took creatde a very short, sharp depression.

Senator Murray. It could not help it, because it was the fact of the Government spending that business was taking advantage of, and it was enriching itself through overcharging.

Mr. Mosher. I may go with you, Senator, except as to "enriching themselves," because the figures do not bear that statement out.

Senator Murray. If you will look at the records of the Treasury Department you will find that most of the large businesses in the United States made more profits after taxes than they had made in 1929.

Mr. Mosher. I do not want to get into any argument over figures. The Treasury statistics of income and the Department of Commerce figures show that in 1929 the total income of all manufacturing corporations in this country was $3,953 million and that in the year 1937 it was $2,550 million. You said that the figure for 1937 was bigger than for 1929.

Senator Murray. I did not say it was bigger. I said that the corporations made more profits in that period.

Mr. Mosher. I was reading the profit figures. Did you not say that the profits were bigger?

Senator Murray. I said that the profits of individual large corporations were bigger. But there was a tremendous loss to corporations engaged in real competition. All of the small corporations in the United States were approaching bankruptcy and ruin in that period. All the competitive corporations in the country were very seriously affected. It was only the larger corporations that were so entrenched that they could accomplish the result that I have stated.

Mr. Mosher. I am not going to quarrel with your statement. I would rather let it be a matter of ascertained facts according to the record. I question the facts that you are using, sir.

May I go back to my statement?

Senator MURRAY. Yes.

Mr. MOSHER. Having seen these two examples, I want to assume that it is possible to make an accurate estimate of non-Federal investment and expenditure. In what situation will we then find ourselves?

If the National Budget indicates that there will be enough gross national product to give jobs for, say 54,000,000 persons, but to have full employment we must give jobs to say 55,000,000, why then, according to the bill, all we do is to increase the gross national product through investment and expenditure to provide an additional 1,000,000 jobs.

But now I ask you to look at this third chart. It is based upon official Government figures and shows how much has been added to or subtracted from the gross national product in each of the years since 1923 for every person added to or subtracted from the volume of civilian employment. It really is quite amazing how wide the variation has been. In 1938 the change in the gross national product was only $2,700 for each job. In 1942 it was something above $10,000.

Now let us suppose that we have the National Budget prepared, that it is correct down to the last man in the number of people who want work, that it is correct to the last penny on the non-Federal expenditures and investment which will take place, and that it shows a deficiency which will mean 1,000,000 unemployed unless the gross national product is increased.

GROSS NATIONAL PRODUCT AS A MEASURE

Under these circumstances how much must we increase the gross national product to create jobs for these 1,000,000 persons? Will it take $2,700 per man, which apparently was adequate in 1938, or must it be $10,000 per man, which was required in 1942? For 1,000,000 persons that is the difference between $2,700,000,000 and $10,000,000,000.

Further, in 4 out of the 21 years, the gross national product and civilian employment actually moved in opposite directions; jobs increased when the gross national product went down or vice versa. The gross national product, therefore, cannot possibly provide a usable foundation for planning the action needed to create a given amount of additional employment.

TRY AND FAIL, OR NOT TRY AT ALL

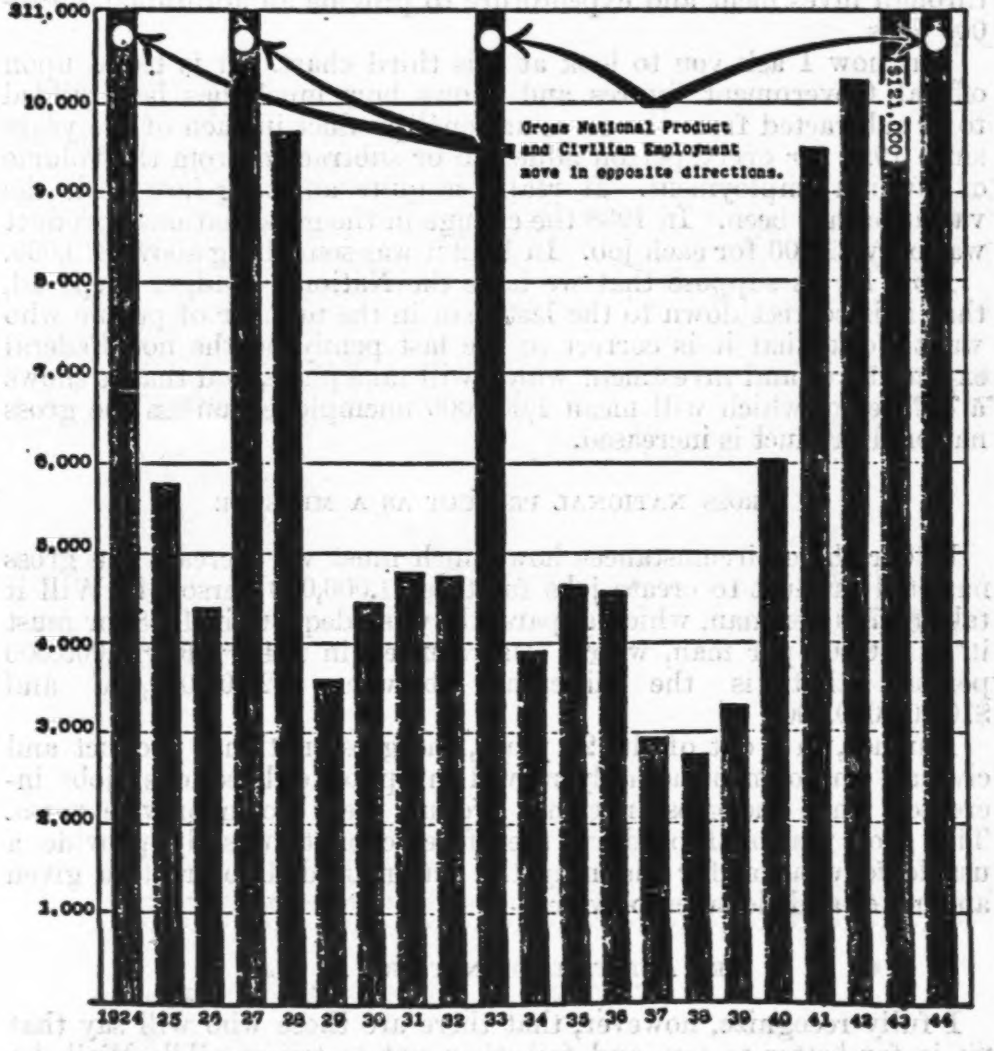
I fully recognize, however, that there are those who will say that "it is far better to try, and fail, than not to try at all." Well, let us just see whether this is true or not—let us examine what will be involved in the event of an inaccurate estimate. According to the estimates of the Department of Agriculture and the Department of Commerce, it will take between one hundred eighty-eight and two hundred billion dollars of gross national product to provide postwar full employment. For simplicity let us take the $200,000,000,000 figure. One percent of that is $2,000,000,000. In other words, if an error was made in the National Budget of 1 percent it would involve $2,000,000,000.

HOW MANY DOLLARS MAKE A JOB?

$2000? $4000? $10,000?

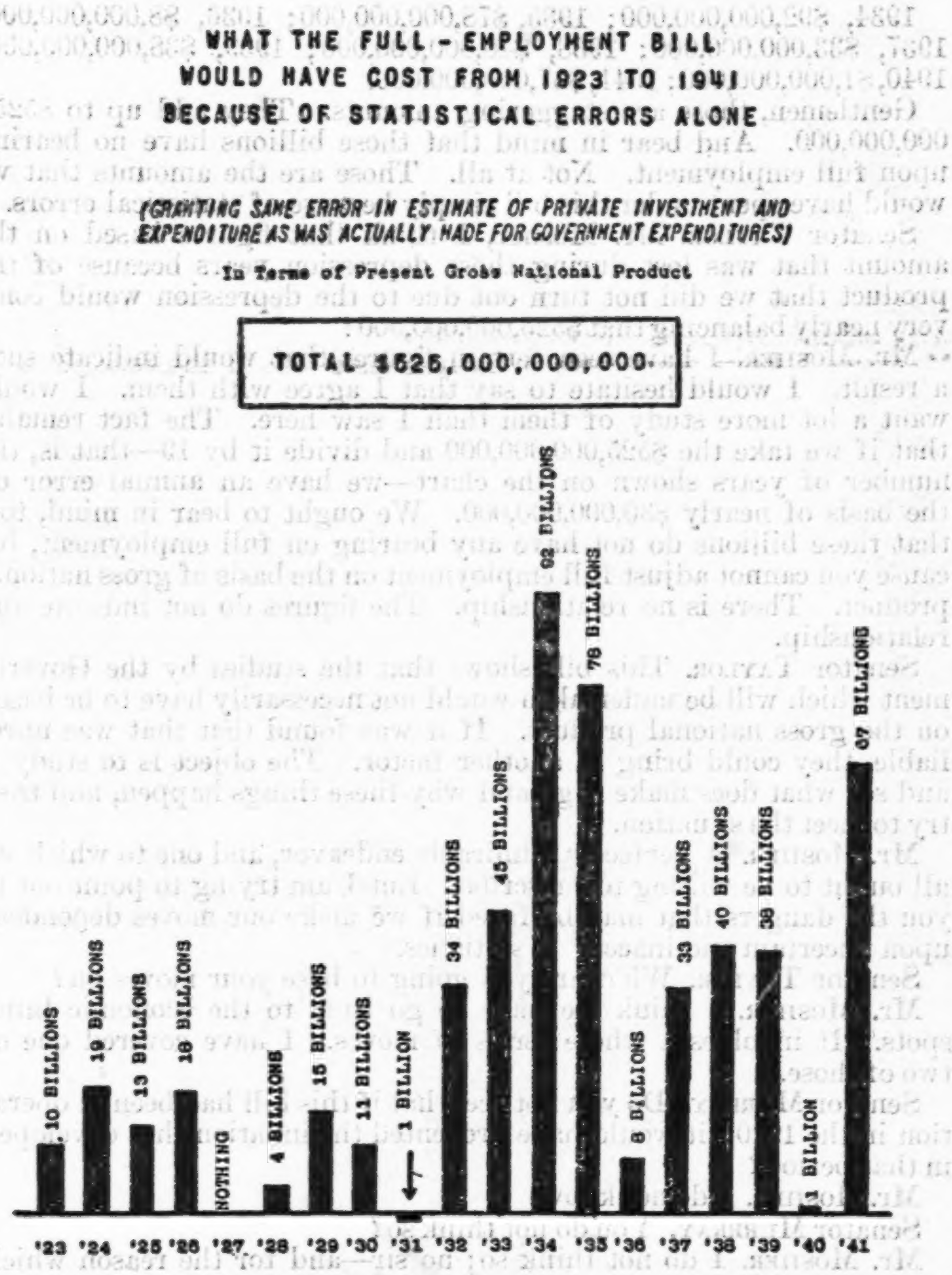
NO ONE CAN TELL BEFOREHAND

(Change in Gross National Product for Each Worker Added to or Subtracted from Total Civilian Employment)



SOURCE: Hearings on Full Employment Act of 1945, part 1, p. 79.

Now suppose that this bill had been on the statute books for the past 15 years, that we had the present national gross product, and that we had made the same percentage of error in the preparation of our National Budget that the Treasury actually made in its vastly simpler estimates of Government expenditures: What would it have involved financially? The answer is shown in my final chart.



This chart indicates what the full-employment bill would have cost from 1923 to 1941 because of statistical errors alone in terms of present gross national product, granting the same error in estimate of private investment and expenditure as was actually made for Government expenditures. In 1923, $10,000,000,000; 1924, $19,000,000,000; 1925, $13,000,000,000; 1926, $18,000,000,000.

1927, nothing; 1928, $4,000,000,000; 1929, $15,000,000,000; 1930, $11,000,000,000; 1931, $1,000,000,000; 1932, $34,000,000,000; 1933, $45,000,000,000.

1934, $92,000,000,000; 1935, $78,000,000,000; 1936, $8,000,000,000; 1937, $33,000,000,000; 1938, $40,000,000,000; 1939, $38,000,000,000; 1940, $1,000,000,000; 1941, $67,000,000,000.

Gentlemen, those are staggering amounts. They add up to $525,000,000,000. And bear in mind that those billions have no bearing upon full employment. Not at all. Those are the amounts that we would have spent under this bill simply because of statistical errors.

Senator TAYLOR. Mr. Mosher, I think that figures based on the amount that was lost during those depression years because of the product that we did not turn out due to the depression would come very nearly balancing that $525,000,000,000?

Mr. MOSHER. I have seen certain figures that would indicate such a result. I would hesitate to say that I agree with them. I would want a lot more study of them than I saw here. The fact remains that if we take the $525,000,000,000 and divide it by 19—that is, the number of years shown on the chart—we have an annual error on the basis of nearly $30,000,000,000. We ought to bear in mind, too, that these billions do not have any bearing on full employment, because you cannot adjust full employment on the basis of gross national product. There is no relationship. The figures do not indicate any relationship.

Senator TAYLOR. This bill shows that the studies by the Government which will be undertaken would not necessarily have to be based on the gross national product. If it was found that that was unreliable, they could bring in another factor. The object is to study it and see what does make it go and why these things happen, and then try to meet the situation.

Mr. MOSHER. A perfectly admirable endeavor, and one to which we all ought to be willing to subscribe. But I am trying to point out to you the dangers that may be faced if we make our moves dependent upon uncertain and inaccurate statistics.

Senator TAYLOR. What are you going to base your moves on?

Mr. MOSHER. I think we have to go back to the economic blind spots. It involves a whole series of moves. I have covered one or two of those.

Senator MURRAY. Do you not feel that if this bill had been in operation in the 1920's it would have prevented the inflation that developed in that period?

Mr. MOSHER. I do not know.

Senator MURRRAY. You do not think so?

Mr. MOSHER. I do not think so; no sir—and for the reason which I am going to give you in a moment.

Senator MURRAY. You think that even if this bill was in operation, nothing would have been done to have prevented the wild inflation and the Wall Street activities of that period which resulted in the final crash in Wall Street in 1929?

Mr. MOSHER. I think that the obligation to take moves on the part of the Federal Government to prevent depression and prevent inflation has been with us from the time we started, and I think it is still with us. This bill does point out the importance of it. But just let me add a couple of paragraphs, if I may. Perhaps I will cover what you have in mind.

Senator **Murray**. I am very anxious not to upset your efforts to finish up your statement for us; so I will not ask any questions at this time.

Mr. **Mosher**. Gentlemen, our national debt already is destined to reach approximately $300,000,000,000. That means that every child in this Nation will come into the world mortgaged to the tune of $2,150. It means that the average family of four in America will be in hock to the extent of $8,550.

In the face of such crushing burdens, a serious responsibility rests on those who propose to gamble a potential $525,000,000,000—or $15,000 per family—not on full employment, but on the statistical accuracy of a handful of Federal employees.

STATEMENT OF WILLIAM GREEN, PRESIDENT, AMERICAN FEDERATION OF LABOR, WASHINGTON, D.C.

Mr. **Green**. Mr. Chairman and members of the subcommittee, I am pleased to meet with you this afternoon and transmit to you the views and position of the American Federation of Labor regarding S. 380.

The most deep-rooted, universally desired objective next to peace itself, which the war has brought forth, is desire for security. Workers want protection against inability to earn a living in a world that underwrites property. Loss of job is a major catastrophe to wage earners. It may mean loss of savings and investments in addition to disorganizing the life of the worker and his dependents. Unemployment leaves deep scars on mind and spirit, a cost which society as well as individuals must pay. Fear of unemployment is never completely absent from the lives of workers. The right of every person able and willing to work to an opportunity to earn the means to sustain life itself has become an increasingly compelling ideal as industrial production has come to more dominance in our economy, making unemployment correspondingly serious.

"Full employment" has become a worldwide ideal which peoples of many nations hope to establish and to maintain in the postwar. No one country can do it alone. The United States should lead the way. Its achievement will be the supreme test of our democratic institutions.

DESCRIPTION OF THE BILL

S. 380 deals with responsibilities of the Federal Government for promoting "full employment." Its statement of policy setting forth the following purposes, makes a powerful appeal to those who have borne the burdens of unemployment:

1. To foster free competitive enterprise through the investment of private capital in trade and commerce; and
2. To establish the right of all Americans able to work and seeking work, to useful remunerative, regular, and fulltime employment.

The bill directs that the President prepare a national production and employment budget. This budget shall set forth—

1. The estimated size of the work force.
2. The estimated volume of investment and expenditure by private enterprise, consumers, Federal, State, and local governments necessary

to produce the gross national product necessary to maintain full employment.

3. The estimated prospective volume of prospective investment and expenditure.

In case the national budget indicates a deficit in the expenditure and investment program, the President is directed to prepare recommendations for encouraging non-Federal investment and expenditure as well as recommendations for legislative plans to overcome the prospective deficit. Such a program may include but need not be limited to "current and projected Federal policies and activities with reference to banking and currency, monopoly and competition, wages and working conditions, foreign trade and investment, agriculture, taxation, social security, the development of natural resources, and such other matters as may directly or indirectly affect the level of non-Federal investment and expenditure."

The result would be a program of plans and specifications for needed public works for those not employed by private industry. An orderly program of needed public works is an end in itself and a powerful stimulant directly to the construction industry and indirectly to others. The desirabiilty of planned public works to supplement private investment and check trends toward deflation has long been discussed with approval. It was urged during the depression of the thirties. Constructive action on the proposal is long overdue.

Planning and timely initiation of public works are essential to "full employment" but do not constitute the main driving power. "Full employment" will come mainly from placing responsibility on private industry and requiring reporting on stewardship. As the right of persons to employment becomes a moral obligation upon those in positions of responsibility, its responsibility can be pressed home.

The initial step in establishing responsibility of private industry is to amend section 4(c), page 8, line 9, by substituting "shall" for "may." The section would then provide for regular consultation between representatives of the functional groups of private enterprise and the President in reviewing current situations and in making plans for "full employment," and would read as follows:

> The President shall establish such advisory boards or committees composed of representatives of industry, agriculture, labor, and State and local governments, and others, as he may deem advisable, for the purpose of advising and consulting on methods of achieving the objectives of this Act.

Senator TOBEY. I can see your point, Mr. Green, but is it not elementary, or at least the expectation, that the President would consult with these people?

Mr. GREEN. The bill as written provides that he "may." We feel it should be more positive. I think the President would exercise very good judgment, and so doing would respond to the spirit of the act. But there is the bare possibility that he, or some future President, might feel that such action is not necessary if it is left to his discretion. On the other hand, if it is required, made mandatory, it will create a better psychology, a better state of mind, if it is distinctly understood that representatives of those groups are to be brought in for consultation and advice. That is the point I wish to make, Senator Tobey.

The CHAIRMAN. You may proceed with your statement.

Mr. GREEN. Private enterprise operates within controls which result in expansion when profitable, and contraction when profits decline. Workers are free to seek suitable employment most advantageous to them and to promote their interests through collective action. Over the years experience has pointed out that the right to carry on business is effective only in an orderly society and consequently entails the obligation to respect the rights of others. We have long discussed the economic and social evils resulting from unemployment and considerable progress has been made in stabilizing some industries. We have accepted the principle of social insurance to provide incomes for workers involuntarily unemployed. But these measures are not adequate to provide "full employment" under the definition proposed. There is needed a new sense of responsibility on the part of private industry and willingness to cooperate to the end that no one able to work and seeking work shall be denied opportunity to earn a living. There must be willingness to get the facts and face their consequences by individual managements as well as by industries, so that exercise of the right to do business shall be accompanied by obligation to plan for sustained employment for the work force at levels of pay enabling workers to have rising standards of living. For this purpose we need the basic economic statistics which we have repeatedly asked Congress to authorize.

The national budget which the president would be directed to prepare would aid in pressing home the responsibility of private enterprise and in disclosing next steps.

Unions have their responsibility for leadership in this new endeavor and for getting incorporated in union contracts wage rates and hours standards that would enable workers to have the purchasing power to sustain production at "full employment" levels. To stabilize production at lower levels would lower national income and result in unemployment.

Present-day demands for "full employment" embody many of the ideals and desires of the past when we talked of good business, sustained prosperity, our high wage economy, et cetera, and add to them the idea of mutual progress, integrated effort, and the desire to banish fear of unemployment.

Unemployment results from many causes. Underinvestment and underconsumption are two important factors. Others, even more difficult to deal with, are unemployment due to technical progress, population changes, great social changes, like changes in transportation, communication, et cetera. We can deal with unemployment due to these causes only by studying the facts of each industry and anticipating forces making for the industrial changes affecting employment. Our dependence for assistance with unemployment due to these causes is planning for the maintenance of scientific research and effective use of new information by industries. The United States now leads the world in making effective industrial use of technical progress.

GROWTH OF PRODUCTIVITY

Steadily rising productivity has always characterized American industry. The genius of American management, combined with the skill and effort of American workers, has given our country leadership over the entire world in production per man-hour. This rising productivity makes our high standards of living possible. American workers earn the high wages they receive.

Labor Department figures show how the steady increase in production per man-hour, together with collective bargaining, has made it possible to raise workers' wages while at the same time prices were reduced and consumers received better quality at lower cost. The Department's figures show that over the 17 peacetime years, from 1923 to 1940, production per man-hour in American factories rose 83 pecent. This astonishing increase provided the income to raise the workers' average hourly earnings 22 percent during this period. At the same time unit labor costs were reduced by 34 percent. The reduction in labor costs made it possible to reduce wholesale prices of finished manufactured goods 18 percent, so that consumers benefited by lower prices, and a margin was left for profit to American business. Thus, in the period between two wars, workers' increasing productivity benefited workers, consumers, and managements. The decrease in prices was reflected by reduction in living costs generally, and workers as well as others benefited because their increased pay envelopes would buy more. Their "real" wages increased 49 percent from 1923 to 1940.

Normally, we may expect productivity to increase on the average by about 2½ to 3 percent each year. This has been the rate throughout recent years. During the war, far greater increases in productivity were achieved when management and workers threw all their energies into production improvement to reach Army and Navy schedules. For instance, in the brief period of 11 months, from February to December, 1944, the man-hours required to produce a Victory ship were cut in half. An amazing record was achieved by the aircraft industry. From the beginning of the program up to February 1944 time needed to construct military aircraft was reduced 90 percent. In munitions industries as a whole, man-hour production increased 47 percent in the 21 months from January 1943 to September 1944.

All these factors must be taken into consideration when we attempt to analyze unemployment, factors that enter into employment, because we are facing an era where fewer men are going to produce more. What are we to do with those who will be displaced by reason of the substitution of new techniques and improvements? It is amazing when we go into the figures and, duly considering them, discover what has really transpired without, perhaps, attracting much public attention.

Startling new techniques of production were developed during the war. Many of these techniques will be adapted to peacetime production and used in civilian industries. Immediately after the war, industry will be retooling, replacing worn-out machinery, and incorporating new production methods. These measures will so increase productivity that experts believe the first 3 postwar years will bring a 30-percent increase in production per man-hour in American factories.

We cannot hope for "full employment" in the United States unless we plan to direct this dynamic force of increasing productivity so that it will create higher consuming power, higher living standards, and increasing markets for our industries.

SHORTER HOURS AND HIGHER WAGES

Because of increasing productivity and increasing population, America's industries will have to furnish about 1,000,000 new jobs every year to provide "full employment." We will have to shorten the workweek to create some of these new jobs. That is inevitable. Every year we will have to increase wages so that workers will have enough income to purchase their proportionate share of the increasing goods and services they produce. Increasing workers' income will mean an expanding market for American business, an opportunity for new industries to bring new products and services to the American people. It is vital to remember that workers' buying power forms the great economic base of our home market. People with incomes of less than $4,000 a year have 70 percent of all the consuming power in the United States. It is more profitable for a businessman to sell one suit of clothes to each of the 47,000,000 low-income people with incomes under $4,000 a year, than to sell three suits to each of 3½ million people with incomes of more than $4,000 a year.

A glance at the past shows what this great force of rising productivity can mean to Americans in terms of a better life. Electric refrigerators, which came on the market about 1928, sold for about $400 apiece. In 1942 a much better refrigerator was selling for $100 to $150. Yet workers in the industry had increased their weekly pay substantially in those 14 years. The statement, "Costs down and wages up," to some who perhaps have not studied the very vital principles of economy, would seem to be contradictory. How can costs go up and selling prices go down? It is because of new techniques, improvements in production, and increasing efficiency on the part of those who serve. Rising productivity and improved industrial techniques have reduced the price of automobile tires by 75 percent since 1914, and in addition today's tire gives 40 times the service of the tire made 30 years ago. Workers in tire factories today receive 300 percent above those of 1914. The 1914 automobile cost $1,115. Before the war a much better car cost $738. Yet the average automobile worker who received $15 for a 51-hour week in 1914 had raised his weekly pay to $30.50 by 1938 and reduced his hours to 33 per week. Management in these great industries has received its full share of profits, as we all know.

This increasing productivity has benefited consumers, workers, and businessmen. As we look to the future, we know that our main problem will be to raise consumers' buying power so that a mass market may give business its opportunity to go forward and workers may steadily raise their living standards.

It is an economic fact that when we establish an equilibrium, a balance between buying and consuming power, then we can find a market for the goods we produce. It is only when we produce a surplus that we have much unemployment, and that is because we are so efficient in the production field and not efficient enough in the buying field. Wages must move up with production.

Technological progress need not contribute to depressions and unemployment if necessary adjustments are made to bring our economy to balance at higher levels. Surely we are not going to permit our genius, resourcefulness, and technique to contribute toward unemployment.

We are already utilizing information given us by experiments of chemists to produce substitute materials to overcome handicaps due to natural resources.

THE NATIONAL PRODUCTION AND EMPLOYMENT BUDGET

We are on the verge of a new era in which we shall apply atomic energy—a revolution that will affect the whole structure of our economy. We shall need every possible protection against unemployment and waste of our human resources. The National Production and Employment Budget proposed by this legislation would provide us with a tool for dealing with some of these future problems. It will give us what Ernest Bevin calls a human budget or a national balance sheet indicating our success in providing useful opportunity for all citizens. But just as cost accounting must be supplemented and interpreted by production accounting, so our national balance sheet must be supplemented by the kind of national plans and policies that would result from consultation and cooperation between Congress, the Presidential and his administrative officers, and the representatives of the major functional groups of private enterprise.

"Full employment" involves much more than information and plans for investment and expenditure. There must be equal concern for all that makes for efficient business: Progressive management, effective application of engineering experience, informed production accounting coupled with cost accounting, continuous application of results of scientific research, sustained efforts to coordinate the creative ability of the whole work force, constant study of markets, knowledge of the development of competitive materials and components, so as to anticipate and prepare for technical change. These and other considerations are already elements in the field of efficient management. The problem of achieving high levels of employment with high national income involves more than the development of new machinery; it necessitates the cooperation of all groups for the utilization of experience and information in order to reach and maintain that objective—with an over-all moral responsibility for all groups concerned.

The driving force for a high wage, high standard of living economy will come most effectively from the individuals directly concerned—management and unions in a free economy.

The factual data included in the President's national budget on production, employment, labor force, national income and its distribution, investment and its expenditures, will furnish the basis for planning by private industry, but the function of planning must remain the responsibility of management. Management, in turn, should consult with unions on problems of production, and has much to gain by establishing and maintaining machinery for union-management cooperation for that purpose. Cooperative relations can rest only on a foundation of collective bargaining, fostered by confidence of access to the machinery for justice. Any effort to restrict or restrain established rights and functions of either management or labor would endanger realization of our objectives.

Plans for "full employment" should build on the practices, procedures, and methods which have made the United States the world's most powerful nation economically, with the world's best paid and most productive labor force. The basic principles are, as we know, planning and responsibility by individual enterprises, with competition in domestic and foreign markets, collective bargaining between managements and free trade unions. There must be acceptance of mutual rights with cooperation for mutual progress.

NEED FOR SUBSTANTIVE LEGISLATION

Action on this bill would constitute the initial responsibility of Congress, to be supplemented by other legislation needed to provide a national economic environment favorable to "full employment." That is an essential requirement—favorable environment.

There must be guaranties to agriculture to enable the farmers to produce needed amounts of food and to maintain rising levels of living in agricultural communities. That is an essential requirement.

Congress should act to expedite disposition of war surplus goods in ways to promote "full employment."

Congress should guarantee a high level of scientific research in the interests of national progress and security.

Congress should raise the minimum rate in the Fair Labor Standards Act.

Congress should institute a national housing program, assuring high and sustained levels of public and private construction so that all citizens may be well housed, with opportunities for home ownership.

Congress should enact legislation to provide for the stimulation of planning and construction of community facilities such as hospitals, health centers, schools, roads, airports, and other improvements.

Congress should promptly enact emergency unemployment compensation legislation requested by the President as necessary to protect workers and maintain national buying power.

Congress should maintain the United States Employment Service at the Federal level to provide for efficient service to workers and industries for the maintenance of "full employment."

Congress should enact legislation providing Federal aid for all schools to equalize educational opportunities and services for citizens in all localities and to make such appropriations effective by aid for all children needing it.

Congress should provide a program for the development, conservation, and use of our national resources.

Congress should develop and maintain fiscal and tax policies conducive to "full employment."

In our efforts to establish and maintain "full employment" in this country, we must be aware of the relations of our problems to the same problems in other countries, knowing that the principles of progress at home apply universally. We can have security at home by helping other countries to have security and progress.

To sum up, on behalf of the American Federation of Labor, I respectfully ask favorable action on S. 380, a bill sponsored by those outstanding Senators who have always fought on the side of the people, but with the following amendments:

PROPOSED AMENDMENTS TO THE BILL

Page 6, line 13, end the sentence with the words "applicable laws", deleting the clause authorizing exemptions.

If you want to examine that on your bill, just turn to page 6, line 13, and it would read in this way—or, preferably, I will start with line 9:

> Any of such programs calling for the construction of public works by the Federal Government shall provide for the performance of the necessary construction work by private concerns under contracts awarded in accordance with applicable laws.

Our representatives feel that it should stop right there and exclude the words—

> except where the performance of such work by some other method is necessary by reason of special circumstances or is authorized by other provisions of law.

We have passed through a trying unemployment period for some years, from 1928 to something like 1934, and during those years we experimented with WPA and some other organizations, and we believe that we can promote full employment better by applying the lessons we learned during those years.

We should like to name standards of wages and have the work done through private contracts—the public works that are granted—so that the standard can be maintained and we will avoid the experience we passed through in the WPA days.

Senator TAYLOR. Mr. Green, it is my understanding that the TVA had their own construction organization and did their own work. Do you disapprove of the methods they used?

Mr. GREEN. No; we didn't disapprove of that. I didn't think of that. What I am thinking about is the WPA days.

The CHAIRMAN. We will take your proposed amendment under consideration.

Mr. GREEN. Very well.

Now, then, page 8, line 9. I referred to that earlier in my statement. Substitute "shall" for "may."

Now, on page 10, line 16, we question the wisdom of authorizing the committee to utilize volunteer and uncompensated services. We feel that your statistical group should be those employed by the Government to develop the facts for you, rather than bring in the dollar-a-year men, as we have been inclined to do, and there is a possibility that might be done under this arrangement here.

Senator TAYLOR. I am not in favor of dollar-a-year men myself.

Mr. GREEN. That is a thing we would want to get away from.

The CHAIRMAN. Very well. We will consider that.

Mr. GREEN. We will appreciate it very much if you will.

Now, we concur in the purpose of the amendments submitted by Senator Morse on behalf of himself, Senators Tobey, Aiken, and Langer, to establish and maintain living standards for those engaged in agriculture. We propose, however, the following definition of "full employment," and will appreciate it if you will give it thoughtful consideration:

> Section 10(a). The term "full employment" means a condition (1) in which the number of persons able to work, lacking work, and seeking work, shall be approximately equivalent to the number of opportunities for productive employ-

ment at suitable work, at not less than the prevailing wage standards and under prevailing working conditions for such work, and not below the minimum standards required by law; and (2) in which there is no infringement on basic rights constituting economic freedom.

I certainly hope and trust you may find it possible to give that consideration.

The CHAIRMAN. We certainly will.

Mr. GREEN. Now, I have presented the viewpoint of the American Federation of Labor and I appreciate the opportunity of doing so.

The CHAIRMAN. Thank you very much. Are there any questions of Mr. Green? (There was no response.)

Thank you very much, Mr. Green.

STATEMENT OF MISS HELEN HALL, DIRECTOR, HENRY STREET SETTLEMENT, NEW YORK CITY

Miss HALL. It seemed like old times, Senator Wagner, to get a wire from you last week asking me to testify here today on an employment bill. You may recall that the first time I did so was six months after the stock market crashed in 1929.

That was over 15 years ago and the immediate need was to fend against mounting unemployment due to the collapse of the boom of the 1920's. Today, your concern is not only with mass unemployment in shifting from war to peace, but to establish "a national policy and program for continuing full employment in a free competitive economy"—thus fortifying democracy at its roots.

BILL WOULD STIMULATE PRIVATE INDUSTRY

My understanding is that some business bodies feel that free enterprise can deal with postwar unemployment without Government aid. As I read Senate bill 380 it encourages business to attempt just that, calling upon Federal help only when private industry is unable to keep all our people employed. So doing, the bill takes the line that it is the concern of all of us that all have work if we need it, and makes it altogether clear that we no longer want to get our unemployment statistics from bread lines.

What I put before your Senate hearing in the spring of 1930 were intimate stories of household experience gathered in 1928 and 1929 under a special committee of the National Federation of Settlements. These were brought out in two books, Case Studies of Unemployment and Some Folks Won't Work. Here they are—and they are still serviceable evidence—for they show what the human costs of unemployment are in a modern society like ours.

We had first made use of these case studies to help get the public to recognize the existence of widespread unemployment before the crash.

If a "full employment bill of 1919" had been enacted at the close of World War I, we can only guess how much misery it might have prevented; how many business failures might have been forestalled; how many American families might have been spared enforced idleness and frustration throughout the depression of 1930.

Your "full employment bill of 1945" calls for regular, hard-headed audits of available work and of needless worklessness. Or, more precisely, it calls for regular "national production and employment budgets," estimating the size of our national labor force; the volume of investment and expenditures needed to employ that force; and the prospects for both. Such budegts would set the gage for a national program to encourage private, State, and local moves to this end; and then, if and when these fall short to throw in Federal investment and initiatives.

In the absence of such plans and controls for conserving wage earning and purchasing power in the late twenties, our whole economy slid into the ditch.

As late as 1932, even something so convincing and practical as your plan to rehabilitate our United States Employment Service (which had gone to pieces after World War I) went by default. The bill had strong congressional support and endorsement by the President's experts; but its veto at the White House symbolized that reluctance to employ national implements in dealing with Nation-wide economic problems which kept on until the stalemate was broken in 1933.

Our settlement studies not only visualized the extent of unemployment at the beginning of the hard times, but drove home the inequity that households should bear the whole brunt when breadwinners lose their jobs through no fault of their own. It took time in those years to lay two hoary myths; the myth that most people are unemployed because they don't want to work; the myth that the "dole"—the tag given to unemployment insurance—would weaken the moral stamina of the American people.

World War II has laid those two myths for keeps. The mines, mills, and factories of the United States which have equipped fighting forces the world over have been manned by American workers many of whom were unemployed in the early thirties, and most of whom were covered by unemployment insurance before the decade was out. So they did work when given a chance and unemployment insurance didn't ruin them.

Last year, our War Mobilization and Reconversion Act threw protection over servicemen on demobilization. But another myth had sprung up as World War II wore on, and a very different reception was accorded proposals to throw some measure of protection over men and women laid off when war contracts should be canceled, and war plants close down.

NEED FOR EXPANDED UNEMPLOYMENT COMPENSATION

That time is already here and these rejected proposals are still before Congress in Senate bill 1274. This would amend the act of 1944 by supplementing unemployment compensation payable under State laws to discharged wage earners so as to assure benefits at $25 a week for half a year if they are unemployed that long. More, the bill would provide transportation for dislocated civilian workers who have been employed in activities essential to the war effort—together with their dependents and household effects—to any place at which the United States Employment Service certifies there are suitable job opportunities available.

In setting 26 weeks as the span of protection, this only brings American practice abreast of that in other progressive industrial countries.

The $25 standard is to bring weekly benefits in our most backward States up to standards set in more advanced States. Surely that is not a soft or haphazard program for the wealthiest country in the world in an emergency which has transcended State lines in striving for national production and survival. There are no State lines drawn in dying for your country—why should they be drawn in working for it?

MYTH OF WAR SAVINGS

Nonetheless, the discussion provoked by these proposals last year indicated a widespread belief that high wartime wages had placed war workers in particular, and American families generally, in a position not only to move about at will but to tide themselves over handsomely, months at a time, until work is again plentiful.

This sort of myth making seemed based on the optimistic assumption that all wartime workers "take home" $100 or more a work; or on scanning tables of high-wage brackets and aggregate bank savings rather than familiarity with individual households. Certain it is that this myth did not gee with our own impressions as settlement workers of the facts of life among our neighbors. We all know neighbors of ours who had difficulty in getting by even when they had shown good sense and management.

So again in 1944 and 1945 our National Federation of Settlements undertook some more case studies to get intimate family pictures. The idea was tried out first by Henry Street Settlement of New York, not in its East Side neighborhood but in a crowded wartime area back of the Brooklyn Navy Yard. As a result of this sampling, a questionnaire was worked out which helped settlement workers elsewhere get at what these years had meant to some 300 families in 20 urban districts. These have included the auto center in Detroit; Chicago with its stockyards and other modern plants; such metal and machine trade centers as Cleveland and Philadelphia; New York, Boston, Minneapolis, Rochester, Birmingham, Loraine, and other representative communities.

Our study was not a statistical one. Rather it provided a mosaic of experience among households made up of from 2 to 11 members; some continuing in their old employment; others crossing the continent on the call of war jobs. They were run-of-mill Americans with all sorts of racial backgrounds, their livelihoods ranging from common labor to semiskilled work on the assembly line, and a considerable range of skilled crafts.

The income of almost one-fifth of the families doubled and 18 reported a trebled income. Well toward a third had 2 wartime wage-earners, and 8 families had 3, and the family income had jumped accordingly. At the other end of the scale, approximately 1 out of 7 households had lower incomes to count on than in prewar days. A few workers had higher wages than before, but no more to take home after pay-roll deductions for taxes.

The fact remained that in six out of seven of the families visited, wartime earnings were higher than before. But, as against this, prices had gone up. In the case of 18 percent, food and rent alone were costing more than their total earnings before the war. One woman brought that myth down to earth when she said, "It seems to us that real wages have gone down. The quality of clothing has gone down and doesn't wear and the policy of allowing one pair of pants to a suit is wasteful and my husband wears out three. It has been impossible for me to get underclothes for my 7-year-old boy. Work clothes for very large men are very scarce and the material sleazy."

Other evidence drawn from our schedules reveals what broken employment and stretches of no work at all had cost these war workers in the depression years. At the same time it drives home the human values no less than the purchasing power at stake in making steady work the backbone of our postwar American economy. Your committee will reckon with both, I am sure, in considering the full-employment bill of 1945.

Almost half of the families we talked to had come into the 1940's with the handicap of back debts contracted in the hard times. As one woman put it when congratulated on the good jobs she and her husband had secured: "If we keep them for 2 years, we'll get the debts all paid off."

Approximately 5 out of 7 of the families reported heavy medical and dental expenses during the war years—some so extensive, running from $200 to over $800, as to suggest that they were trying to make up for ravages of neglect earlier when they didn't have the money to pay for professional services. The schedules brought out that people get their teeth fixed and undergo needed operations when they can afford it. It would seem wise from the standpoint of the health of the community to see that people have steady jobs to enable them to meet such emergencies—and health insurance to spread the risk.

Badly needed replacements of furniture and household goods proved to be a drain on the new wartime wages. This is an old story to settlement workers among families long unemployed. I recall one such woman who through good fortune was about to get into a public housing development. I urged her not to go into debt by buying all at once on the installment plan. "Why, Miss Hall," she said, "I can't wait. My furniture wouldn't stand to move across the street!"

Here again, whatever household buying there has been has had to be done in a market where prices were high and quality low. The amounts spent on clothes and shoes vary greatly in these schedules of ours, depending upon circumstances and the temperament of the family heads. But on the whole, much less went into them than we anticipated, knowing how long wardrobes had been made to stretch. Every family had bought clothes, but three-fifths of the group reported an expenditure of less than $300.

On the plus side of the picture, two-thirds of the families had bought war bonds. A third of these reported more than $250 worth. Some, of course, admitted that they had had to sell their bonds almost as soon as they had been bought, but most of the families had been able to hold on to them and felt they held out hope for the future. As two of the women put it, this hope was that they could use the bonds toward a "home with plenty of yard space." A man hoped to "join relatives in California and have a vineyard to be assured of a comfortable old age and not depend on relief of any sort." Plans for setting up in small businesses; education for the children such as the parents had missed, were the things most often looked forward to. Bonds may help make such family plans come true, but only if "work holds out." So a steady job has priority in all family planning.

Among the families with bank accounts—a fourth of them—a quarter had from $1,000 to $2,200; another quarter had from $625 to $100; the remaining half of the families who had bank accounts, $100 or under.

In the top family with the $2,200 bank account, both the father and son had war jobs as carpenter and molder, respectively. The father has held his since 1942 when he started his savings. Before then he had done "odd jobbing" as he called it, and his comment on his plans after the war was short and to the point. He "would like to have a job with a steady income." The next highest in the group, with $2,000 in the bank, was a drilling earning $70 a week. With his wife and two small children he lived with the wife's parents. They wanted a home of their own and more children and were fighting hard for it.

Those were the fortunate ones. Our tables show that only one out of four of the whole number of families had money in the bank; and even these, for the most part, did not have a large enough cushion to see them through any prolonged unemployment.

For such families, if they are living in war areas rather than in their own home towns, the problem of credit is intensified. Local grocers and butchers often carry neighborhood families over months of unemployment, but they can scarcely do this for masses of war workers who may never get another job in the district.

SOCIAL EFFECTS OF UNEMPLOYMENT

Settlement workers saw the fabric of neighborhood life crumble around us in the last depression. That has been true every time a business cycle has thrown people out of work wholesale. Reconversion may be equally disruptive to livelihood. Unless we do something about mass unemployment now, our case stories of what it meant to families in 1928 to 1930 will be just as true for the months or years ahead as they were then. The causes may change from one decade to another but what insecurity does to men, women, and children doesn't change a bit. It will be as devastating, physically and psychologically, to the children who are ill-fed and insecure; to the men who hunt work hopelessly; to the women who face the unpaid grocer and the hungry child in 1945 or 1946 or 1949 as it was in 1930.

It was said that people's didn't want to work in 1928 and 1929 and afterward. We know now that was nonsense. It was these same people and their kind who, working and fighting, won this war. It seems incredibly stupid if Americans can plan together to win such a war and yet can't plan so that men and women can work steadily.

The CHAIRMAN. Well, it is a very fine statement.

Are there any questions, Senators? (No response.)

Well, thank you very much. We are delighted to have had you.

Miss HALL. Thank you for letting me come, Senator.

STATEMENT OF RALPH E. FLANDERS, PRESIDENT, JONES & LAMSON MACHINE CO. AND BRYANT CHUCKING GRINDER CO.; CHAIRMAN, BOSTON FEDERAL RESERVE BANK; AND CHAIRMAN OF THE RESEARCH COMMITTEE OF THE COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. FLANDERS. As the chairman has already stated, I am also chairman of the Research Committee of the Committee for Economic Development and, as such, have been part of a group actively concerned with accomplishing the purposes of this bill. I am today, however, speaking strictly as an individual, apart from any of the connections mentioned. At no point, I believe, will I propose policies contrary to those taken by the Committee for Economic Development, in whose conclusions I concur, they having been arrived at by prolonged discussions in which I have taken an active part.

In other words, we have not come to many of the basic things in this bill yet in our discussion.

NATURE OF THE RIGHT TO WORK

You ask first my views on the declaration that "all Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment."

This right to a job is a right which I myself have come, after much thought, to accept as an objective which our society may attain. Like all rights, it carries with it duties which are an indissoluble part of it. It cannot be intelligently discussed or made effective without the acceptance of those duties.

In this respect, it is like the rights detailed in the Bill of Rights in the Constitution. For instance, the guarantees of free speech and freedom of assembly are of no effect unless the citizens who assert these liberties are prepared to resist those who seek to restrain their exercise of them. That duty to resist extends even to suffering wounds and death. This was the extent to which our duties were carried in the War of the Revolution and to which, in the American view of the conflict, they have been carried in this Second World War.

With regard to the right to a job, the corresponding duty of the individual is to be productive, self-reliant, and energetically in search of employment when out of a job. To assign the right to individuals who do not possess these qualities is to subsidize idleness and encourage them in becoming social parasites.

While the right to a job resembles the elements of the Bill of Rights in carrying with it certain duties, it differs from the rights of the Constitution in certain important particulars. The privileges under the Bill of Rights come automatically to the citizen unless he is restrained from exercising them. Preserving rights is, therefore, a matter of overcoming resistance. In contrast we do not assure ourselves of a job by simple resistance to some person or some group who is keeping jobs from us, as in the case of those who seek to impede free speech and free assembly. The duties involved in supporting the right to a job are of a different sort. They involve constructive action, cooperatively undertaken by many different elements of society in a rather difficult field of operations.

Besides the duty devolving on the individual, there are others which devolve on business enterprise, on organized labor, on local and State government, and on the Federal Government.

RESPONSIBILITY OF BUSINESS

On business devolves the duty of operating at its best possible efficiency and of thereby making it possible for it to expand production and employment, which it should do to the limit of its capacities for solid, sustained growth. It has no duty to furnish employment at a continued loss, since this, I add parenthetically, in the long run would reduce the volume of employment furnished, rather than increase it. Business can likewise properly be curbed in activities which seek to contract employment and expansion through the elimination of competition.

RESPONSIBILITY OF LABOR

Organized labor has serious responsibilities in implementing the right to a job. That right cannot be established without the cooperation of labor unions and the abandonment of practices which in some instances defeat the objective of this bill. There is a general responsibility resting on union negotiators to see to it that wage, hour, and production standards sought by the union do not form parts of a total aggregate which so upsets the wage-cost-price relationship as to decrease the total volume of employment. There are other questions relating to widespread unemployment resulting from localized strikes and restrictive practices in admission to membership which organized labor will have to face.

RESPONSIBILITY OF GOVERNMENT

Local and State governments have duties in connection with the wisdom of their tax policies, the effectiveness of their preservation of human and property rights and, in particular, the timing of construction work and any other expenditures which are not on a current basis.

The Federal Government has very large and serious duties to perform if the right to a job is to be made effective. It must do much more than store up work for release when unemployment is large. It must prevent the growth of that unemployment by policies which encourage business to expand and investors to undertake new ventures.

All of the above are prerequisites to the Government's assumption of its final responsibility of furnishing work itself when employment lags.

This list of prerequisites is not to be understood as being a series of hurdles over which the unemployed worker must leap one after another before he becomes eligible to federally provided work. All of these duties which implement the right, and all of the activities which are required by these duties have to be carried on simultaneously. With this done, at any given moment the number of unemployed to be taken care of by the provisions of the full-employment bill may be brought small enough so that the available useful work provided by Government will actually meet the need.

In view of all the above, I would suggest that the "right to a job" should meet with universal acceptance in this country if it were expressed somewhat as follows: The man or woman out of work has the right to expect that all responsible elements of society, and particularly the Government, will use all appropriate and effective means to assist his own best efforts in finding productive and profitable work.

It is my belief that if the individual worker himself and the non-governmental and governmental agencies involved fulfill their duties, unemployment will cease to be a critical problem.

RESPONSIBILITY OF FEDERAL GOVERNMENT FOR ADEQUATE MARKETS

Your chairman next asks for my views on the responsibilities of the Federal Government to assure markets adequate to maintain full production and full employment.

As already indicated, it is my belief that it will be impossible for the Government to provide markets directly by governmental expenditure under the conditions of private enterprise unless this governmental undertaking has been reduced to manageable proportions.

From the residual—that is, the residual of unemployment—must be subtracted a well-recognized element in unemployment which is voluntary and is customarily called "frictional" unemployment. It is composed of certain hundreds of thousands or millions of people who have voluntarily given up a job and are in the process of looking for another, or who have decided on a vacation of greater or lesser length. While the number of people in this category may be relatively stable, its nature is such that its composition is constantly changing. If anyone is unemployed for an extended length of time, he or she does not come in this category of frictional unemployment.

Finally, the last few remaining millions of unemployed will contain some who belong to the problem type and are more or less difficult to handle by Government employment. There will be concentrated in those last few million individuals who are problems in themselves; there will also be various localities and industries which present special situations whch will not be met by any general provision of employment. For instance, the Missouri Valley Authority development could not easily take care of unemployment in southern textile mills. Nevertheless, governmental expenditures, properly proportioned and properly timed, is one of the important weapons in the arsenal for fighting unemployment.

WILL GOVERNMENT SPENDING SOLVE THE PROBLEM?

I raise the question as to whether it would be possible for governmental expenditures to have provided sufficient work for the conditions which were allowed to develop in the great depression without having to resort to the means which became a part of our wartime provisions of employment, namely wage and price controls and a great expansion of the national debt. The proposed function of the government in providing markets by direct expenditure becomes practicable under free enterprise only if the problem is kept within bounds by other means.

Discussion is asked further as to the responsibility for coordinating the appropriate activities of the Federal Government to foster the highest possible sustained level of private and other non-Federal investment and expenditure.

To my mind, this is the really important part of the governmental task without which the full employment bill will fail of its purpose. On the face of it, the bill seems to assume that proper expansion and contraction of the Federal Budget will of itself solve the problem.

When I say, "On the face of it," I refer to the misunderstood reading of the bill. On the contrary, I would take the position that the expansion and contraction of governmental expenditure cannot solve the problem unless and until the Government has done all the other things within its power to assist in maintaining stability and employment.

As an example of what is meant, I would suggest the attention of Congress to the tax policy statement of the Committee for Economic Development, in which the relationships between tax policy and employment are quite clearly drawn. One gathers that the Congress is prepared to recognize its responsibility for employment in setting up a tax structure, but there are other directions as well in which the policy of the Federal Government must be reoriented toward its effect on productive employment. Unless this is done—and not enough is said about these things in the bill—the bill will fail of its purpose.

NATIONAL BUDGETING IS DESIRABLE

Inquiry is next made as to views on the preparation by the President and the transmitting to Congress every year of a National Production and Employment Budget setting forth economic goals and trends in terms of employment, production, and purchasing power, and a general program to attain such goals.

This is a highly desirable process, provided it is not intended to use current information to effectuate policies for too long in advance. Current information used for current administrative and legislative policies, and as a guide only to legislation for the future, is highly desirable. It is particularly desirable that all the elements pertinent to the problem of maintaining profitable employment should be gathered in one operation and channeled through one source to the administration and the Congress.

As one element of this, I would like to make certain suggestions with regard to the current reporting of the volume of unemployment. I understand that the statistical work on this subject has been very greatly improved in the last few years. It is estimated directly by sampling methods, rather than as an unreliable remainder after subtracting those employed from an estimated total working force.

Might it not be wise, however, to be very much more definite in this matter of unemployment, getting and making generally available reliable figures not merely for its amount, but for its location and character? As was stated before, in any proper attack on the problem of unemployment the Government will be concerned with a residual. In this residual will be concentrated "problem" unemployment. "Problem" unemployment, whether of types of persons, specific communities or specific industries, needs careful analysis to see whether it is amenable to remedy by general policies as are proposed in the bill. Experience, I am sure, will show that a large part of this type of unemployment is not amenable and must be taken care of by specific measures, some of which may be national and others State and local, depending on the circumstances of the case.

In preparing the estimates of unemployment full use should be made of the best sampling devices now available; the data thus obtained should be related to the detailed operating data available from the records of the Employment Service and its associated activity of unemployment compensation. To get this as an over-all picture it would, of course, be necessary greatly to extend the field of unemployment compensation, and this the Committee for Economic Development is about to recommend. This extension having been made and willingness to accept a job under reasonable conditions being a prerequisite for remaining on the rolls, then we would have a definite measure not merely of the volume of unemployment, but of its location and character, utilizing all available sources of information.

Such a procedure would enable labor, private business, and Government to perform far more effectively in solving any current unemployment situation than does the publication of over-all figures. Indeed, can a rational attack on the problem of unemployment be made without a statistical foundation of this sort?

JOINT CONGRESSIONAL COMMITTEE ENDORSED

The bill proposes the creation in Congress of a Joint Committee on the National Budget to study the President's Budget message and transmit its recommendations thereon in the form of a joint resolution, which would be debated and acted upon by each House of the Congress. This is a sensible suggestion. May I respectfully suggest that proposals along this line developed in the Committee for Economic Development have your careful attention? They will be presented at a hearing soon, I understand, by Mr. Paul Hoffman, chairman of our organization.

STRESS ON THE WHOLE RANGE OF GOVERNMENT RESPONSIBILITY

This is an epoch-making bill. For the first time, it lays emphasis on the maintenance of employment as a major governmental responsibility. Properly interpreting this responsibility it would mean, for example, that never again would a tax bill be written from a narrowly fiscal point of view and without reference to employment.

The bill must not be misinterpreted by assuming that Government responsibility can be fulfilled by the timing and volume of its expenditures. That is a dangerous assumption. If the bill is properly interpreted to cover the whole range of governmental responsibility, it will mark a great forward step in organizing our major social and economic objective—a high level of productive employment in the United States.

The Chairman. That is a very fine statement, Mr. Flanders.

Are there any questions?

C. E. D. VIEWS ON UNEMPLOYMENT COMPENSATION

Senator Austin. I would like to ask Mr. Flanders a question relating to his statement.

On page 7, in the second paragraph, you say:

> To get this as an over-all picture, it would, of course, be necessary greatly to extend the field of unemployment compensation, and this the Committee for Economic Development is about to recommend.

Are you at liberty to say what that Committee is going to recommend?

Mr. Flanders. I cannot give you the exact wording, but the recommendations are based on the idea that the restrictions on the extent of unemployment compensation are more or less artificial. They are not logical and they are not rational, and it should be greatly extended to cover in general the whole range of working for wages.

Senator Austin. Does the Committee for Economic Development favor the idea of extending the benefits to as low a number of employees as one?

Mr. Flanders. That is under discussion, but I do not recollect that we have yet faced that particular question of as low as one. Of course, that is the case in England. They work on a different means with their stamps and have a practical means for taking care of the employer of one employee. There are practical problems involved in that which may place some limit upon the matter; but we do think that the limitations of the present coverage are more or less arbitrary and irrational and we would like to see them extended just as fully as possible.

Senator Austin. Have you already described the Committee for Economic Development?

Mr. Flanders. No. I thought everybody was sick of hearing it described.

Senator Austin. I am not. I would like to have you describe it for this record.

DESCRIPTION OF COMMITTEE FOR ECONOMIC DEVELOPMENT

Mr. Flanders. All right. It is composed of a group of trustees who are businessmen and ultimately responsible for the organization. The trustees approve the appointment of certain committees of which, aside from the finance committee which raises the sinews of war, the two principal committees are a field committee and a research committee. The operations of the field committee, the chairman of which is Mr. Fuller, are concerned with getting businessmen all over the country, in large cities and small cities and small towns, to planning for their postwar expansion on some reasonable but still courageous basis. In other words, not sitting with hands hanging to see what is going to happen, but to get them working out new production, looking for new markets, and so on. It has been exceedingly successful in arousing interest and reviving the spirit of private initiative all over the country. I forget just how many communities we reach, but I think 2,900 communities are organizing their local businessmen, planning for the largest reasonable amount of postwar employment, and not just simply by writing on paper, but by making plans for new products and plans for marketing and plans that look reasonable. The work of that committee was more or less summed up in a report which was made by their marketing committee, which I think was made public 2 or 3 days ago and attracted attention in a number of papers, particularly the New York Times.

There is, briefly, the field development committee. The other committee is the research committee, of which I am chairman. The field development committee is concerned with those things which businessmen can do for themselves. The research committee is concerned with forces outside of business which affect the ability of business to expand employment. A large element in it is governmental legislation, though by no means is that the only element. There are financial procedures and other things which affect it. But the main element is Federal legislation.

So, the things which the businessman, working within the area of his own business, can do, the field development committee takes care of. With the forces which affect the businessman from the outside, the research committee concerns itself.

The research committee is made up entirely of businessmen and has associated with it two groups: One is an advisory board of social scientists, mostly economists, though lawyers and sociologists are——

Senator **Tobey**. Tolerated?

Mr. **Flanders**. That is a perfectly good word. We have a permanent staff which works as technicians on the problems with which they are confronted.

The procedure is this: A committee of businessmen in conference with the staff and the advisory committee lays out a series of problems which seem to be of importance so far as concerns this central problem of expanding productive employment. Each one of these separate problems is assigned to a scholar or an expert picked by the staff, who writes a monograph on the subject. We assure him full academic freedom in the writing of the monograph, but there is a catch to it, because the poor devil has to report what he is doing from time to time to the businessmen and the advisory board and members of the staff; and I think most of the scholars who have worked on our monographs have come out of that ordeal in a heavy sweat. I am sure that the rest of us have, too. It is a sweating process.

It has been interesting that in that process of discussing the work of the specialist two or three times previous to getting it finally into documentary form, the specialist himself and the businessmen, and I have sometimes thought, though I am not sure of this, that even certain members of the staff come to change their opinions somewhat. It is a beautiful process of adult education, and it does not finally mean that either the committee of businessmen or the advisory board or the author or the staff have all come to full agreement, because we have not. But I am sure that the ultimate monograph is far better for that long-continued process which may extend over months; and certainly the committee of businessmen knows a whale of a lot more than it did when it started in on the process.

The book is published, and it is published on the responsibility of the scholar himself. He is ultimately responsible for everything in it.

The research committee takes upon itself the responsibility after this monograph has been written and after going through this process of education of the task of preparing a policy report for which it alone is responsible. This committee of businessmen is wholly responsible for this policy report. That is the concrete and ultimate product of the processes of this research committee. However, that policy report has to run the gauntlet of the advisory board, the social scientists and the staff in just the same way as the original fellow writing the monograph did. It has to run the gauntlet and is changed in the process; but we finally come out with something, I think, that has been more toilsomely conceived than anything else that has ever come from a group of businessmen; and I am confident that those toilsome processes are of value in giving a fairly firm foundation for the conclusions we have come to.

Senator **Tobey.** What was the date of the birth of the Committee for Economic Development?

Mr. **Flanders.** It seems like 40 years.

Senator **Tobey.** The first hundred years are the hardest.

Mr. **Flanders.** It was organized in the fall of 1942.

Senator **Tobey.** Was the genesis of it within the businessmen's group themselves, or did it come from a suggestion outside of that group?

Mr. **Flanders.** From businessmen. It was a business idea from the very start. We were dissatisfied and wondered if there was not some better way to get at it, and this was the best way we could find.

NATURE OF THE RIGHT TO WORK

Senator **Tobey.** On page 2 of your very fine statement, in the second paragraph, you make a distinction between the Bill of Rights, the individual privileges thereunder, and the right to a job, and you discuss the matter of preserving rights by defense of those rights, even unto death. Then you say:

> In contrast we do not assure ourselves of a job by simple resistance to some person or some group who is keeping jobs from us, as in the case of those who seek to impede free speech and free assembly.

I ask you this question. That individual who has not a job—and his name may be legion—unfortunately is the victim of conditions over which he has no control; is he not?

Mr. **Flanders.** Yes.

Senator **Tobey.** He has certain duties. This piece of legislation, as I see it, is germane because it comes in to establish a position for that man through these heroic efforts which are contemplated if the bill goes into effect.

Mr. **Flanders.** He has to be supported in those rights by all these processes.

Senator **Tobey.** And then that basic right is implemented by the mechanics as set forth in the terms of the bill. Of course, that will be subject to change and amendment as we go along. But the bill does give notice that men have the right to work; and you have pointed out that there is a certain group who might take advantage of that. But they are the exception rather than the rule. So this bill comes into play and is now under consideration.

I think your distinction is well taken between the Bill of Rights and the rights of labor, but we have got to consider it in terms of the fact that the man who is out of work has no redress. He is out of a job, and his name is legion. There are millions out of jobs. Therefore this bill contemplates setting up mechanics to assure a man of a job.

Now, coming down to page 3 of your statement, you well say that—

> The Federal Government has very large and serious duties to perform if the right to a job is to be made effective. It must do much more than store up work for release when unemployment is large. It must prevent the growth of that unemployment by policies which encourage business to expand and investors to undertake new ventures.

I am glad you brought out that point.

On page 4 you state that—

> The man or woman out of work has the right to expect that all responsible elements of society, and particularly the Government, will use all appropriate and effective means to assist his own best efforts in finding productive and profitable work.

And you offer that as a suggestion in the verbiage of the bill which proclaims the right to a job. While what you say is good, I am reminded of Dickens' book entitled "Great Expectations." That is about all you leave this bill with—the right to expect the Government to do all it can. I think it should do more and exercise the right to offer the ways and means to this end. Do you agree with that?

Mr. **Flanders**. Yes. A man has a right to expect that. It is the duty of government, business, labor unions, and other groups to meet that expectation. They have simply got to do it. The statement of that right and the assertion of those duties to implement that right are, as I tried to say in the last paragraph, to really make an effort. I personally accept that as a right interpreted in the light of the duties and the effective means of implementing it; and the assertion of that, it seems to me, is extremely important.

Senator **Tobey**. Thank you. Now, one more comment. On page 6 you state, in the first paragraph:

> One gathers that the Congress is prepared to recognize its responsibility for employment in setting up a tax structure, but there are other directions as well in which the policy of the Federal Government must be reoriented toward its effect on productive employment.

You did not go into any detail there. Can you state what those directions are, in a general way?

Mr. **Flanders**. There are a number of questions involved in fiscal policy. I can take that as an example, but there are a number of others. Just let me go back to the Committee for Economic Development for a moment. We have been working against time on a large number of subjects concerned with the transition of employment, and we are just about under the wire. Japan did not fold up any too quickly to suit us as citizens, but it almost caught us with our program unfinished. We got there about the same time she did. But on the long-range problems these subjects are still under discussion and still under way, and I would rather not go out on a limb as to them at this time, because we are going to be able to say something from time to time on the long-range problems and, I think, well in advance of the necessity for applying them.

Senator **Tobey**. I want to pay tribute to the Committee for Economic Development as one interested in the Bretton Woods agreement and its adoption by Congress and as being of help to those who prosecuted that case in the Congress.

That is all, sir.

Senator **Murray**. After hearing your very splendid analysis of the bill, I take it that you do not find anything in this measure that would in any manner attempt to regiment industry or interfere in any way with the operation of industry?

Mr. **Flanders**. No. The only point I make is that, should unemployment get out of hand, you did not contemplate the handling of it entirely from the standpoint of deficit financing, and so on, as though that were about the only thing you could do. You have something like wartime controls if the thing should get out of hand. But we have no business to let it get out of hand.

THE BILL AS AN AID TO PRIVATE ENTERPRISE

Senator **Murray**. That is right. At the present time there seems to be confidence that business will be able to meet these conditions that are facing us; and this bill does not do anything to prevent them from doing so. It merely provides a program whereby the Government is going to sit in and assist business, as I construe it.

I suppose that you have come across a good deal of misconception and misunderstanding of the bill. From a casual reading of it, some people imagine that the purpose of the bill is to provide work for unemployed people through a huge spending program, and they do not pay any attention to the other provisions of the bill. You have noticed that, have you not, from some of the comments on it?

Mr. **Flanders**. Yes. The editorial in the New York Times this morning is of the same sort.

Senator **Murray**. Yes. It misrepresents the purpose and intention of the bill entirely. Properly construed, the bill intends merely that the Government should sit in with business and attempt to make our economic system work. Is not that really the intention of the bill?

Mr. **Flanders**. That is the way I would like to interpret it, and I am pleased to know that you do interpret it that way, and I accept that as the real interpretation of this bill.

SIGNIFICANCE OF THE TERM "ASSURE"

Senator **Murray**. You are not a bit alarmed about the use of the word "assure" in the bill, are you?

Mr. **Flanders**. Probably if I had been writing the bill I would not have used that word; but I did not write the bill and I am not going to raise any fuss about it.

Senator **Murray**. Webster's Dictionary gives as a definition of the word "assure":

> To make sure or certain; to inspire confidence by declaration or promise.

Mr. **Flanders**. That second definition of it, Senator, is applicable a hundred percent.

Senator **Murray**. It also says:

> To confirm; to give confidence to.

Then there is a quotation from the Scriptures—and Senator Tobey might elaborate on that.

Mr. **Flanders**. Is he your authority on the Scriptures.

Senator **Murray** (reading):

> And hereby we know that we are of the truth, and shall assure our hearts before him.

Senator **Tobey**. I might add to that—"and the truth shall make you free."

Mr. **Flanders**. And I might add to that: "Ye shall know the truth."

Senator **Tobey**. Yes—"and the truth shall make you free."

Senator **Murray**. The bill contains provisions which, if put into operation and properly administered, will be of great assistance to business in meeting this problem of unemployment.

Mr. **Flanders**. I want to say that I am exceedingly pleased with the atmosphere surrounding this bill as I have talked with you gentlemen. The atmosphere is entirely different from the popular interpretation of the atmosphere surrounding this bill.

Mr. **Tobey**. I would like to say, in repartee, speaking for myself—and I doubt not I voice the conviction of all who know you today and know of your work in New England—that it is a refreshing thing to find a leader in business, which you are beyond peradventure, who will come before us and read a paper like this in such marked contrast to the Tory attitude of so many business concerns in the past.

Mr. **Flanders**. I told a fellow once that I was willing to be called a Tory, but not a Bourbon.

Senator **Tobey**. I might go so far as to quote Shakespeare and say, "For this relief much thanks."

INTERPRETATION OF THE BILL BY THE PUBLIC

Senator **Hickenlooper**. From your interpretation of this bill, Mr. Flanders, and from the very evident attitude that a great segment of the public has toward this bill, would it be injurious at all if the bill, in clear and unmistakable language, announced the exact policies, without all these varied interpretations? Could the bill not be clarified by making flat statements of the interpretations that have been expressed here, and would that not relieve the minds of a great many people who perhaps misunderstand the real purposes of the bill?

Mr. **Flanders**. I am not a bill draftsman. I am not a politician. I proved that by losing out in the race for the senatorship. I think that I would be treading on ground with which I am not familiar as to just how this bill could be most effectively worded. I do know, for instance, that on occasions when I have had to inquire as to the intent and purpose of a congressional enactment, that the man whom I have asked about it has often gone back to the hearings and to the debate to see what was in the minds of those who were back of the bill.

The **Chairman**. Courts do that in interpreting laws.

Mr. **Flanders**. Yes. Do you think it would be better to get it all in?

Senator **Hickenlooper**. I see no reason to go back to the hearings, and so forth. I do not see why it cannot be written in clear language in the bill.

Mr. **Flanders**. This bill is not in its final form, is it?

The **Chairman**. No.

Mr. **Flanders**. I suggest that the committee might take that under consideration.

The **Chairman**. You spoke about the editorial in the New York Times. That editorial suggests that the bill shows lack of faith in private enterprise. But I do not see any such thing in the bill.

Mr. **Flanders**. You gentlemen have expressed no lack of faith.

Senator **Murray**. I do not see anything complicated or difficult to understand in the various provisions of the bill. I do not know how it could be made any more simple or use any more appropriate language to carry out the purpose intended. It provides, for instance—

> In order to assist industry, agriculture, labor, and State and local governments in achieving continuing full employment, it is the responsibility of the Federal Government to pursue such consistent and openly arrived at economic policies and programs as will stimulate and encourage the highest feasible levels of employment opportunities through private and other non-Federal investment and expenditure.

That language is very clear and understandable, is it not?

Mr. **Flanders**. Yes. I wonder whether the popular misinterpretation might not come from the rather more extended treatment given to the changes in the Budget than to some of the other elements. It occupies rather more space in the bill. I think that may be the basis of the popular misconception.

Senator **Murray**. The provisions which relate to the National Budget?

Mr. **Flanders**. Yes.

Senator **Hickenlooper**. Nevertheless, I do find that there is a certain segment of the public that has a definite misconception of the purposes of this bill, that differs from my conception of the bill. I would think that it could be clarified to at least that situation.

Senator **Murray**. The phraseology of the bill in reference to the National Budget was passed upon by the legislative counsel and was supposed to be in appropriate language. I do not know how it could be clarified.

The **Chairman**. I am sure that if there is any way of improving it, the committee will try to improve it.

Senator **Austin**. Before Mr. Flanders leaves: On page 2 of the bill, in subparagraph (b) appears this language:

> All Americans able to work and seeking work have the right to useful, remunerative, regular, and full-time employment, and it is the policy of the United States to assure the existence at all times of sufficient employment opportunities—

and so forth.

Those who have talked with me have referred to that language more frequently than to anything else in the bill; and I think it is due to the differing views of the meaning of the word "assure."

Senator **Tobey**. Do you think they would like better the word "insure"?

Senator **Austin**. No; I do not think so. I think if the language of this bill were clarified at that point, so as to make it plain that there is no declaration of a policy here that involves taking over the business of the country and operating it on a totalitarian basis, you would satisfy a great many of the questions that have arisen. That, I believe, is a spot in this proposed legislation which ought to be examined carefully.

I am not a member of this committee, but if I have any duty to perform here, as I see it, it is to point out what occurs to me, as an observer, that would benefit it.

I conceive that the opposition to this bill is going to be divided. There will be those who are opposed to it entirely because they are opposed to any legislation on this subject. There will be another group in favor of the general policy of the bill but are opposed to some specific thing in it, like that which I have called attention to. But I gather from your answer to Senator Murray's question that one of the standard meanings of the word "assure" really represents your view of the best interpretation of the bill. That is right, is it not?

Mr. **Flanders**. Yes.

Senator **Austin**. As a practical matter of legislation, I merely submit that it would be well to study and so revise the language as to make it clear that it is that interpretation of the bill rather than the No. 1 interpretation of the meaning of "assure" which is intended.

Senator **Murray**. I would like to ask if the Senator does not believe that section 8 of the bill disposes of his fears in this regard. Section 8 provides——

Senator **Austin**. I have not expressed any fears, Senator Murray, myself. I want you to understand that.

Senator **Murray**. I think that a reading of section 8 would be an answer to anyone who fears that by the use of the word "assure" we are undertaking to set up in this country a totalitarian system which would take over enterprise and operate it by Government direction.

Section 8 provides:

> Nothing contained herein shall be construed as calling for or authorizing—
>
> (a) The operation of plants, factories, or other productive facilities by the Federal Government;
>
> (b) The use of compulsory measures of any type whatsoever in determining the allocation or distribution of manpower;
>
> (c) Any charge in the existing procedures on appropriations; or
>
> (d) The carrying out of, or any appropriation for, any program set forth in the National Budget, unless such program shall have been authorized by provisions of law other than this Act.

Senator **Austin**. My answer would be "No"; that does not answer it, because that is a very narrow statement. It is tied up to one feature of the bill only, and that is the budget feature, whereas the bill contemplates legislation that will make the policy declared in it effective. It is because it does that that the policy ought to be stated as clearly as possible.

Senator **Murray**. It sets up the policies as clearly as could be expected, it seems to me, under provisions that follow that paragraph on page 2. It specifies exactly what is to be done by the Government, and sets it up in quite clear language. There is nothing in the bill anywhere that would indicate any intention upon the part of the Government to assume any direction or control over business in any respect.

The **Chairman**. We will consider the word "assure." I notice that two of the distinguished Senators are asking some questions of you and using the would "assure." If the interpretation is technical——

Senator **Austin**. It is a matter of double meaning.

The **Chairman**. Double meaning, of course.

As usual, Mr. Flanders, you are very useful.

Mr. **Flanders**. If anybody can be useful and leave people feeling comfortable, I hope always to be useful.

Senator **Hickenlooper**. Mr. Flanders, throughout the discussions of this bill emphasis has been placed by witnesses, and in fact by the bill itself, on the right of the individual to have a job. It has always been my impression that the American people have pretty generally considered that the right to work was an inherent part of our system.

I interpret the reference to the right to a job as meaning the creation or the maintenance of an opportunity to work for the individual who wants to work, rather than a new statement of principle that every American citizen has the right to work.

Mr. FLANDERS. The question of job opportunity is the No. 1 question.

Senator HICKENLOOPER. In other words, where reference is made in this bill to the right of the individual to have a job it means the opportunity for work.

Mr. FLANDERS. Well, you would not want to make a man work who desires to go fishing.

Senator HICKENLOOPER. Perhaps not. But I take it the real meaning of this bill is to create opportunities for work, that that shall be the prime responsibility.

Mr. FLANDERS. Yes; opportunities for work.

Senator HICKENLOOPER. And that we are not announcing any new principle that everybody in this country has the right to work. Are we in agreement on that?

Mr. FLANDERS. I am not sure that I clearly understand your inquiry. The emphasis is certainly on job opportunity.

Senator TOBEY. Of course, it is a statement of fact that we recognize the right of a man to work, but it does not necessarily follow that he has the desire to work. There is, perhaps, a distinction between the right to work and the desire to work.

Senator HICKENLOOPER. I would not want the idea to go forth that the right to work is not inherent in the American people.

Senator TOBEY. We are here recognizing the right of the individual to work, and we think he has a desire to work.

Senator HICKENLOOPER. I so interpret it, but I think the other interpretation could be placed on some of the language in the bill.

Senator MURRAY. It is the intention to assure the existence at all times of sufficient employment opportunities to enable all Americans who have finished their schooling and who do not have full-time housekeeping responsibilities freely to exercise this right. That may be found on page 2, subdivision (b), of the bill.

The CHAIRMAN. Any other questions?

(A pause without response.)

Thank you very much, Mr. Flanders.

Mr. FLANDERS. I thank you for this opportunity.

LETTER OF TRANSMITTAL

JUNE 18, 1945.

To the Members of the Senate Committee on Banking and Currency:

On January 22, 1945, S. 380, a bill to establish a national policy and program for assuring continuing full employment in a free competitive economy, through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government, was introduced in the Senate and referred to the Committee on Banking and Currency.

In view of the importance of the proposed measure, reports were requested from the major Federal agencies whose activities are closely related to the problem of maintaining full employment after the war. Each agency was asked the following questions:

> If we were assured of continuing full employment after the war what might the effect be on the sectors of our economy with which your agency is concerned?
>
> If S. 380 were enacted by the Congress, what might be the role of your agency in helping to achieve continuing full employment?
>
> In the present planning of your agency's postwar activities, what assumptions, if any, have you made with regard to the postwar level of the gross national product, the national income, and employment?
>
> What specific improvements in S. 380 might be considered by the Banking and Currency Committee?

I have made a careful summary of the replies already received from 33 Federal agencies. This summary is transmitted herewith together with the agencies' reports themselves and a digest of the full employment bill.

I am sure that this summary will be of great interest to the members of the committee, to other Members of Congress, and to all who are concerned with the vital problem of postwar full employment.

ROBERT F. WAGNER, *Chairman.*

[Senate Committee Print No. 1, 79th Cong., 1st Sess., July 12, 1945]

SUMMARY OF FEDERAL AGENCY REPORTS ON THE FULL EMPLOYMENT BILL

I. General Comments of Federal Agencies

In addition to answering the specific questions addressed to them in the request for reports on the full employment bill, many agencies took the opportunity to express general comments on the bill's basic principles and objectives. Agreement with these principles and objectives was practically unanimous.

Heartily endorsing the principles of S. 380, Judge Vinson, Director of War Mobilization and Reconversion, characterized the bill as—

> the necessary first step from which a full-dress program of economic policies to promote the well-being of our free competitive economy will stem.
>
> Given an adequate market—

Judge Vinson continues—

> our producers will supply the goods and the employment. We can be sure of that. We cannot, however, leave the creation of that market to chance.
>
> * * * History shows us—

Judge Vinson asserts—

> that business, labor, and agriculture cannot in themselves assure the maintenance of high levels of production and employment. The Government, acting on behalf of all the people, must assume this responsibility. * * *
>
> Only by looking at the economy as a whole, and adopting national economic policies which will actively promote and encourage the expansion of business and the maintenance of markets and consumer spending, can we hope to achieve full employment.
>
> S. 380 recognizes this responsibility.

Expressing his sympathy with the objectives of S. 380, Budget Director Harold D. Smith expresses satisfaction that the bill emphasizes the basic principle of dovetailing private enterprise and Government activities in a full employment program.

Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, asserts his belief that "the depression problem should be approached on an overall basis and not as a series of separate and distinct problems." Referring to S. 380, Mr. Crowley states:

> This Corporation, therefore, is most happy that the Congress is undertaking to treat as a unit the entire business-depression problem.

Referring to the full employment bill, John W. Snyder, the Federal Loan Administrator, writes:

> The proposal * * * is a recognition of the responsibility of the Government to assure employment opportunities in those periods when the efforts of business, labor, and agriculture fail to provide such employment opportunities. No one would argue, while there is danger of future depressions with attendant large-scale unemployment, that steps should not be taken by the Government to establish an effective procedure for meeting such a crisis, or better still, to anticipate

> and adopt timely, preventive measures * * *. We are in agreement with the underlying objective of the bill.

The issues raised by consideration of the full employment bill in the opinion of the Federal Trade Commission, challenge the Congress to meet with decision the problems of the postwar economy.

> The committee doubtless realizes—

states the Commission—

> that the bill implies a lack of faith in the ability of private enterprise to provide full employment in the postwar period.

On the other hand, the Commission observes that—

> opponents of such a bill would seem to be in the position of recognizing recurrent mass unemployment as something inherent and irremediable in our past and present economy.

The Commission points out that the bill poses the danger of a—

> hybrid economy which, despite all safeguards and declarations against Government operation of industry such as the bill contains, might easily evolve into more and more direct governmental participation in planning and providing for the production of goods on a national scale.

On this score, General Hines, Retraining and Reemployment Administrator, is emphatic.

> I am appreciative—

states General Hines—

> that the plan raises many important considerations, particularly with respect to the maintaining inviolate of our American system of individual private enterprise. But I feel that potential danger of itself is not sufficient reason to preclude honest efforts to insure a greater degree of economic security in our national life. Indeed—

concludes General Hines—

> potential danger may lie in not undertaking to assure continuing full employment.

Reasserting his confidence in the—

> processes of the Congress in the final determination of matters of great national concern—

the general states—

> with my firm conviction of the all-importance of full employment to our future peace and domestic happiness, I believe consideration of the proposal is a salutary thing in the interest of our national welfare.

Frances Perkins, as Secretary of Labor, characterizes the bill as—

> an important piece of legislation. It proposes to deal directly and within the general framework of a free economy with the problem of mass unemployment.

Marriner Eccles, Chairman of the Board of Governors of the Federal Reserve Board, writes of the bill as follows:

> If this bill or some similar one is enacted, Congress for the first time will have recognized by a formal declaration that the Federal Government has a large measure of responsibility for maintaining a satisfactory level of business activity and employment and that there should be some broad guide and objective formally stated by the Congress to govern governmental acts and policies affecting the Nation's economic life. While this would, of itself, mark a new departure, it would merely be a recognition of the facts (1) that the Congress has step by step authorized the assumption by the Government of numerous responsibilities affecting industry, commerce, agriculture, and labor; (2) that the way in which these responsibilities are discharged, the manner in which they are financed, and

> the timing and direction of various Government expenditures directly affect economic activity and stability; and (3) that, therefore, Government acts and policies need to be coordinated and harmonized so that their influence upon the economy may help to sustain and stabilize it at a high and expanding level of prosperity.

The full employment role of the Congress outlined in S. 380, particularly the establishment of a joint committee on the National Budget, brought favorable comment from several agency heads. War Mobilization Director Vinson regards—

> the consideration of proposed measures by a congressional joint committee, which can analyze the interrelationships between the various matters of special concern to the House and Senate committees represented, as an important step in the process of preparing national policy to maintain full employment.

Observing that in the last analysis the responsibility for full employment will be a congressional responsibility, Secretary of Commerce Henry Wallace expresses satisfaction with the provision for a joint committee:

> I believe that Congress owes it to itself to develop within its own ranks specialized knowledge on the full employment problem, which will serve as a basis for determining what kind of legislation can be successful in maintaining full employment in a free enterprise economy.
>
> The American people—

Says Secretary Wallace—

> will not expect a complete and perfectly functioning program all at once, but they will be reassured if they see the Congress organize for continuous examination of the problem of maintaining full employment and ready to try alternative methods in place of those which do not produce results.

The following brief quotations express the general reaction of other agency heads to the objectives and principles of the bill.

> Enactment of such a bill would, in my opinion, constitute a great landmark in the establishment of a modern economic policy by this Nation.—Secretary of Agriculture.[1]
>
> This bill seeks to bring about the establishment of national programs to assure continuing full employment. I am heartily in favor of its objectives and believe that its principles should ge given favorable consideration.—Secretary of the Interior.
>
> I am fully in accord with the objectives of the bill and I am also in favor of the approach taken in the bill of placing responsibility for the maintenance of full employment upon private enterprise.—Attorney General.[2]
>
> The policy which the bill adopts of relying as far as possible on private initiative and enterprise to provide full employment is one which the Commission has sought to promote throughout the years.—Chairman, Federal Trade Commission.
>
> There is naturally a public responsibility in the reconversion period and in the entire post-war program and I am glad to see that S. 380 gives every opportunity first to private enterprise to do this job.—Federal Loan Administrator.
>
> We * * * express our convictions that the provisions of S. 380 lay the foundation upon which the Congress can assist private enterprise in bringing about and maintaining full employment at a remunerative wage, and guarantee larger opportunity and greater security to investors of savings and other capital.—Chairman, National Mediation Board.
>
> The Board is heartily in accord with the laudable objectives of the bill.—Chairman, National Labor Relations Board.
>
> The bill proposes a means of stabilizing economic activity at a high level of production and, consequently, of full employment. As you know, I am entirely in sympathy with this objective, and I wish to assure you of my wholehearted cooperation in your efforts to carry through a program of full production and employment.—Chairman, Smaller War Plants Corporation.

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[1] Claude Wickard.

[2] Francis Biddle.

II. "If We Were Assured of Continuing Full Employment After the War, What Might the Effect Be on the Sectors of Our Economy With Which Your Agency Is Concerned?"

This question was interpreted in two different ways. Some agencies discussed the effect of the assurance itself upon the plans and attitudes of business, labor, and consumers. On the other hand, most agencies discussed the effect that continuing full employment itself would have on the various sectors of the economy.

Replies based on these two interpretations are discussed separately below.

EFFECT OF ASSURANCE OF CONTINUING FULL EMPLOYMENT

The Labor Department places special emphasis upon the importance of assuring continuing full employment:

> It is my belief that the assurance of employment opportunity and of sustained economic activity and income would in itself have particularly beneficial results. If full employment were sustained over a sufficient period of time, this feeling of assurance would develop spontaneously. Many of the same benefits, however, might be attained immediately if the full employment program adopted contained an explicit commitment or guaranty that full employment would be continuously maintained. Moreover, in the absence of some such guaranty the task of actually attaining full employment will be far more difficult.

This same emphasis on the assurance itself is made in the letter of the Interior Department:

> The mere existence of the mechanism provided by S. 380 would, in itself, be a major stimulus to the maintenance of a high employment level in private industry.

In addition to stimulating business investment directly, the abolition of uncertainty and apprehension as to the level of future employment would, according to Labor Department, encourage the consumer spending on which business activity depends.

> Just as businessmen will hesitate to make investments if they anticipate a shortage of markets, so also will workers be hesitant to draw upon their war savings, or even to spend liberally out of their current incomes, if in the early postwar period they face an imminent danger of unemployment. That hesitation may be greatly reduced if the worker has a real assurance that, although he may lose the particular job he now has, there will always be enough jobs available to provide employment opportunity at fair wages for all willing and capable workers. The maintenance of high levels of expenditure by workers, with the associated high levels of farm income and of business investment, will make it far less difficult to attain full employment and will reduce the need to depend upon special compensatory Government programs.

Other important benefits to be derived from such assurance are described in the Labor Department's letter:

Security

> A main value of such an assurance is that it could eliminate basic feelings of insecurity caused by pervasive fears of unemployment among workers. These feelings are a major source of worry and tension and a positive obstacle to the attainment of the primary postwar objectives of full employment, growing productivity and output, and international accord.

Alleviation of group conflicts

> It is also certain that the assurance of full employment would allay otherwise probable group conflicts for jobs. While certain preferences can and should be given to veterans, for example, it will not be possible to protect their labor standards if they face the competition of millions of workers who have been displaced

> from wartime jobs unless those who have been displaced can find other employment. After the last war you will recall also the race riots that resulted in large part from the scarcity of jobs and the presence of migrant workers in industrial centers. Finally we must be concerned that prejudices with reference to the employment of women do not lead to discriminatory discharges of women who are totally dependent upon a weekly wage for their support and for the support of dependents. All of that range of problems comprehended within pending bills to prevent discriminatory hiring or to grant special preferences become soluble if full employment is assured.
>
> *Industrial productivity*
>
> The assurance of employment opportunity could also have important effects in improving the productiveness of labor. Resistance to the introduction of technological improvements, and of simpler or more efficient methods, has sometimes resulted from understandable fears that such changes would more quickly create unemployment. Only the firm assurance that employment opportunities will remain adequate can completely allay such fears.
>
> *International trade relations*
>
> The elimination of this basic type of worker insecurity could also have profound effects on the worker's attitudes toward international relations. Liberal economic foreign policies, intended to expand mutually beneficial two-way and multilateral trade, encounter resistance if there is widespread fear that the admission of imports will create chronic unemployment. Unreasonable and discriminatory restrictions on immigration, and aggressive attempts to capture and hold exclusive export markets or areas of influence abroad, may have a similar origin. On the other hand, I have been much impressed with the frequently repeated assurance of trade-union leaders that they will not have to seek high tariffs, merely to protect existing jobs, if other work is available for those who may be adversely affected by any particular adjustment of tariff rates. Once given the assurance that there will always be enough jobs, the American people will feel free to express in concrete ways their strong natural sentiment of friendliness and helpfulness to other peoples. It is upon the liberation of this great constructive force of mutual friendship and good will that our high hopes for improved international relations and enduring peace must chiefly rely.

Reconversion

The National War Labor Board stresses the "increasing concern as to postwar employment that is even now being felt by both labor and management." After discussing the current issues with which it now deals, the Board states:

> It is apparent that if we were assured today of full employment in the postwar period, issues of the sort illustrated above would be less acute and the volume and complexity of dispute cases before this Board would be substantially reduced.

The salutary effect of such assurance on the reconversion program is clearly explained by the Office of Price Administration, which asserts that the assurance of continuing full employment would contribute to an orderly and stabilized economy during the transition:

> The reason why price control in the war and transition period will be aided by the assurance of full employment and full production can be stated briefly. During the war, we have succeeded in holding prices relatively stable in the face of advancing costs; yet aggregate profits have increased, primarily because there has been such an enormous expansion in the volume of production and sales. Without this expansion, the resistance to our ceilings on the part of business would undoubtedly be greater and more successful than it has been. Not only has this expansion of production been necessary to our success so far, but assurance that it will be maintained is necessary for our continued success in the period to come. Business firms fear the effect on profits of a decline in their sales. Price ceilings which they accept when business operations are at peak levels often appear unacceptable to them when they foresee a lower volume of production and sales. They tend to resist not only continuation of present ceilings in the future, but even maintenance of the existing ceilings in the present period. In

> the absence of any assurance that business will continue to operate at high levels, many firms want to make all they can while the opportunity exists. I am firmly convinced that this desire to make a killing during the war, which is one of the main difficulties operating beneath the surface, not only in the minds of many businessmen, but also farm and labor groups, is at bottom a result of fear of the future, and would disappear if they had any solidly based reason to believe that large markets, high levels of production, sales, and jobs would continue as a normal characteristic of the economy rather than as a mere wartime phenomenon.

EFFECT OF CONTINUING FULL EMPLOYMENT ON SECTORS OF THE ECONOMY

Practically all the Government agencies point out that full employment would create an economic environment in which our economic problems and internal difficulties could be resolved more easily. In the words of the Bureau of the Budget:

> If governmental and private programs succeed in achieving full employment, many of the Government's most difficult problems will become more manageable. Government programs which contribute to insuring full employment have social implications very different from those which are required to relieve unemployment and economic distress. Full employment means an expanding economy, increasing opportunity, and rising incomes. Unemployment and nonutilization of resources mean that pressure groups struggle for larger slices of a smaller-sized pie. Democratic government will face grave problems, domestic and international, in the period of postwar reconstruction. The prospects of solution are the brighter if our policies promote full employment rather than struggle with the task of mitigating the evils of unemployment. If full employment is assured by means of maximum private activities, certain expenditures of Federal, State, and local governments could be avoided or reduced.

Effect on business

The most violent fluctuations in net income from prosperity to depression are, the Commerce Department points out, those experienced by business firms. Corporate profits after taxes of 7.2 billion dollars in 1929 were wiped out and replaced by losses of 3.6 billion dollars by 1932. *Over the same period, the earnings of unincorporated businesses* and proprietors (not including agriculture) collapsed from 8.5 billion to 3.4 billion dollars. The importance of full employment to business is summed up by the Department of Commerce with the words:

> It is evident from these figures that individual businessmen simply cannot afford to risk the disaster of severe depression.

The Commerce Department further points out that the consolidated sales of private business in the United States dropped from $93,000,000,000 in 1929 to $48,000,000,000 in 1933. The accumulated loss of consolidated sales as a result of less than full employment production between 1929 and 1941 amounted to about $350,000,000,000. In contrast to the depressed markets for business output during the decade of the thirties, a continuation of full employment after the war would call forth an unprecedented level of business sales. This opinion is seconded by the Department of Labor which states:

> Wage earners would be only one of the groups benefiting from such a program which would also assure farmers and businessmen large and profitable markets for the commodities they sell.

The effect on business profits and sales is also emphasized by the Securities and Exchange Commission:

> Continuing full employment after the war would, of course, be accompanied by a high level of business sales and a correspondingly high level of business profits. This would very probably result in increased activity in the capital markets, for it would engender a greater need for new plant and equipment, as well as an increased willingness to invest. Developments of this kind, in addition to increasing the capital raised by large business, should facilitate small business financing as well.

The problems of small business received special emphasis from the Smaller War Plants Corporation, which states:

> Little business has very little slack, few reserves on which to fall back in hard times. Full production and full employment mean that little business can survive and grow. It is the only climate in which new small businesses can hope to be generated in any quantity with a reasonable chance for survival.
>
> For the small businessman, in particular, the maintenance of full employment would be the beginning of a new era—

states the letter of the Commerce Department.

> No amount of specific aids to small business, in either its financial or management problems, can have the same wholesome effect as customers with adequate incomes derived from real jobs. The need is for the steady, healthy growth that only full employment can assure in the modern world * * *. Concretely, full employment after the war would create opportunities for the establishment and maintenance of almost a million additional small enterprises.

Referring to its responsibilities to protect the competitive nature of our economy, the Department of Justice expresses itself as follows:

> The maintenance of free and competitive enterprise is dependent upon the opportunities for new and independent businesses, the maintenance of sufficient consumer purchasing power, and the ability of the economic system to provide for full or a high level of employment. S. 380 restates the interest of the Federal Government in the attainment of these economic conditions, including the availability of credit, which will make possible the strengthening of our competitive system. S. 380 will implement antitrust enforcement with positive measures and programs in aid of small business and new enterprise.

On this topic the Department of Commerce states:

> In the main, American business is genuinely competitive in spirit when market conditions are such as to offer reasonable success to the individual competitive enterprise—

But in a situation of maximum unemployment and limited market opportunities, the various competing elements of our economy are tempted to adopt restrictive practices and arrangements in an effort to survive.

> A full employment environment would in itself go a long way toward eliminating the restrictive practices that are engaged in by all economic groups—not alone by big business—when they are faced with curtailed demand.

An increase in the flotation of investment company issues would be a probable effect of full employment, according to the Securities and Exchange Commission, which further remarks that this would increase the business and income of investment bankers and security brokers and dealers.

The problems of the banking community are taken up by the Federal Deposit Insurance Corporation, which expresses the need for continuing full employment as follows:

> A solution of the business depression problem is of the utmost significance to deposit insurance. The great concentrations of bank failures in the past have occurred in periods of general and deep depression * * *. If, by intelligent, coordinated action, business fluctuations can in the future be kept within reasonable bounds, bank failures will not become so numerous as to embarrass the deposit insurance system. On the other hand, if we do not in considerable measure solve the business depression problem, bank losses may again become so large as to cause the insurance fund to become a considerable burden upon the Government.

In the transportation industry, the prosperity of the carriers is dependent upon the volume of traffic, states the Interstate Commerce Commission, and full employment would therefore tend to promote the prosperity of transportation. The industrial depression of the early thirties, in the opinion of ICC, had much to do with the adversities which beset the railroads.

The Federal Power Commission observes:

> Continuation of full employment after the war would unquestionably require the continued operation of the electric light and power industry on a high level of production and thus promote its stability.

Effect on agriculture

Importance of full employment to the agricultural segment of the economy is stressed by the Department of Agriculture:

> * * * the first essential to solving postwar farm problems is maintaining full industrial production and employment of workers; because the farmers sell, and will continue to sell, most of what they produce on the domestic market. Only through full employment at good wages can they have plenty of customers able to pay fair prices for their products.

Putting this in quantitative terms, the Department continues:

> * * * If the Nation can maintain full employment, farmers should continue to receive cash income of around $17,000,000,000 annually from the sale of their products, or more than twice prewar.

Full employment would provide work for about 8,000,000 people in agriculture. This is compared with an average of about 9.3 million farm workers before the war, many of whom, however, were not fully utilized. This means, according to the Department of Agriculture, that full employment would give farmers and their sons not needed in agriculture good opportunity for work off the farm, either full time in industry, or as part-time farmers.

The farmer's interest in full employment is again brought out clearly by the Tennessee Valley Authority:

> We believe that a fully employed population will create a demand for agricultural products that will result in prices which will make it profitable for farmers to continue to achieve diversity in their farm production plans. The density of population and proportion of population engaged in agriculture has, in the past, created in the Tennessee Valley an excessive pressure on the land resources. The employment of rural people in industry strengthens the regional economy, relieving this pressure.

Effect on labor

> An effective program to maintain full employment by democratic methods in a free economy would do more than any other type of policy to raise the average income and the levels of living over the whole Nation.

So states the Labor Department.

The Retraining and Reemployment Administration points out that the assurance of continuing full employment would very largely dissipate any difference of opinion between labor organizations and veterans' organizations with respect to seniority rights and all such matters concerning the status of the returning veteran in relation to the nonveteran worker. Furthermore, the thousands of returning veterans who will be rehabilitated will be in a much better position to readjust themselves to carry on in civilian life if a program of continuing full employment is maintained.

The National Labor Relations Board observes that since 1941 when employment has been on a high level, the number of unfair labor practice cases has declined steadily and full employment would make less likely the resort to unfair labor practices such as discriminatory discharges.

In the same vein the National Mediation Board observes that in peacetime when the carriers are prosperous and railroad labor finds full employment at properly remunerative wages, there is less unrest and less strife among railroad labor organizations and between railroad employees and carriers.

Effect on international problems

The Department of State, after observing that prosperity and depression in a major country have widespread repercussions of a cumulative character upon the world economy, states that "High and stable levels of productive employment in the United States would contribute substantially to the realization of the objectives of our foreign economic policy and to the success of the United Nations' plans for building a peaceful and prosperous world in the postwar period."

Economic stability of the Latin-American Republics, which stability in turn is essential to world peace and security, depends on a high level of employment and business activity in the United States, says the Office of Inter-American Affairs. Because of the strategic and quantitative importance of exports in the economies of those countries, economic stability is possible only if there exists a large and steady demand for their exports. This demand depends largely on the level of employment and production attained in the United States. Failure to maintain a high level of production and employment in this country would, through its impact on the exports of the other American nations, contribute to general depression in those countries, lowering their standards of living and making practically impossible the payment of interest and the repayment of capital on loans and investments previously made. Maintenance of demand for their exports, however, immediately increases purchasing power in the other Americas and results in the expansion of production and employment in their domestic industries, and the increase, as well, of their imports of manufactured goods from the United States and other countries. Under such condiitons, says the Office of Inter-American Affairs, productivity in the Americas increases, standards of living are raised, both internal and international political relations tend to become stable, and further development toward democracy becomes possible.

The Tariff Commission also emphasizes the stimulus given to both imports and exports by a high level of employment in the United States.

Effect on housing and building activity.

Full employment can only be achieved, according to the National Housing Agency, when the conditions are created which enable housing, as one of our larger industries, to play its full role in achieving full employment. This role, according to NHA, would imply 6 or 7 billion dollars of residential construction, farm and nonfarm, contrasted with an average of about $1,000,000,000 a year during the thirties. This includes construction of 1,260,000 nonfarm units per year on the average, contrasting with an average annual construction of about 273,000 units for the 10-year period 1930–39.

* * * * *

V. "WHAT SPECIFIC IMPROVEMENTS IN S. 380 MIGHT BE CONSIDERED BY THE BANKING AND CURRENCY COMMITTEE?"

The agencies' suggestions in reply to this question are in most cases offered as preliminary comments. Several agencies remarked that further study of the bill will probably stimulate additional suggestions.

Some of the changes offered by the agencies are designed to clarify the declaration of policy. Several propose amendments dealing with the President's responsibilities in developing the National Employment and Production Budget, as set forth in the bill. A number of agencies propose amendments on specific methods to be used in helping achieve full employment—Federal investment and expenditure, tax policy, public works, etc.

Declaration of policy

Use of the word "right" in section 2(b) brought comment from the Office of Price Administration. This section reads:

> All Americans able to work and seeking work have the right to useful remunerative, regular, and full-time employment * * *.

The suggestion of the Office of Price Administration is that if the use of the word "right" continues to encounter the objection that it means something legally enforceable by the individual job seeker, some expression such as "are entitled to" might be substituted for "have the right to."

A change in wording in section 2(d) is recommended by the Department of Labor. Instead of—

> in order to assist industry * * * in achieving continuing full employment—

the Department suggests—

> in order to encourage the highest feasible levels of employment opportunity in private enterprise * * *.

Emphasis should be placed less on the creation of employment as such, in section 2(b), and more on the creation of demand for useful goods and services which in turn will result in productive employment, in the opinion of the Department of Labor. Accordingly, the Department questions whether in section 2(b) the wording, instead of "to assure the existence at all times of sufficient employment opportunities," should not be—

> to assure the existence of a sufficient volume of demand for useful goods and services, at reasonable levels of costs and prices to enable all Americans * * * to experience the opportunity of useful * * * employment.

This, the Department observes, may seem to be only a matter of words; yet there would be some advantage in assuring those who do not yet understand the need for such a bill that jobs are always going to be associated with useful work.

Discussing the appropriate language in which to state the broad objective or declaration of policy, the Federal Reserve Board questions whether the term "full employment" is sufficiently clear and precise in meaning. In the first place, according to the Board, maximum production and a high standard of living must accompany full employment if the true objective of the bill is to be reached. In the second place, full employment obtained at the cost of inflationary pressure would be inherently unstable. In view of these two considerations, the Board questions whether the committee might wish to consider restating the objective in terms of maintaining economic stability at as high a level of employment and production as can be continuously sustained.

In order to give—

> fuller expression to the intention that the Federal investment and expenditure programs be determined on the basis of their intrinsic merits, that is, their contribution to the "national wealth and well-being"—

the Bureau of the Budget suggests that the distinction between the long-range aspect and the timing of programs in view of economic necessity be given greater emphasis. This could be accomplished by inserting a new paragraph, perhaps preceding the present section 3(c), providing that the President make recommendations for enabling legislation and also recommendations for a long-range public-works and developmental expenditure program.

Since, as a final recourse, Federal investment and expenditure might become an important part of the full employment program, the Department of State suggests considering the incorporation of more specific criteria relating to such outlays in the bill itself.

The Department of Labor feels that the possible necessity for measures to prevent inflation should be given recognition in the statement of policy in the bill.

The President's responsibilities

Whether it is desirable to make mandatory the transmission by the President of the National Budget in detail, as section 3a now requires, is discussed by several agencies. The Bureau of the Budget, for example, suggests that the words "which set forth in summary and detail" be changed to read "which set forth in summary and such detail as the President deems necessary." The Office of Price Administration suggests merely that the words "and detail" be omitted from the first sentence of 3a, pointing out that if the President wished and were able to transmit data on expenditures by detailed categories, at both full employment levels and prospective actual levels, he could do so even without these words.

That the bill is too narrowly preoccupied with aggregate investment and expenditures, and that it should be broadened to provide a more comprehensive evaluation of all economic and related factors effecting the national welfare, is the view of the technical staff of the Federal Security Agency. The Agency accordingly suggests that the National

Budget be made more in the nature of a survey of general developments, putting less emphasis on quantitative factors and more emphasis on the problems and policies which require consideration.

The Commerce Department feels that section 3, concerning the national production and employment budget, gives the impression in its present form that the President is directed to forecast the gross national product for the coming fiscal year with greater accuracy than is necessary for fulfilling the objectives of the bill. Successful policy making and administration under the bill, according to the Department of Commerce, will depend more on sizing up the current economic situation, quarter by quarter, and on promptness in recognizing in advance the consequences of current trends. Modification is consequently suggested in the language of section 3 to prevent misinterpretation of what is required for successful operation under the bill.

A special report should be required of the President, the Federal Security Agency believes, whenever unemployment (exclusive of seasonal unemployment) increases above 5 percent or whenever the cost of living increases more than 2 percent over the preceding period. At such time the President might be required to inform the Congress of this fact and transmit a program for dealing with the situation. Supplementary analyses are also recommended by the Department of Commerce to deal with particularly disturbing factors, such as speculative booms in stocks, commodities, or real estate, which might develop within a full employment situation, or local or regional unemployment conditions which might call for special rather than general treatment.

Even when the President's message indicates the prospect of full employment for the ensuing period, the Federal Security Agency urges that programing should continue so as to assure its maintenance. The need for long-range planning is likewise recognized by the Department of Commerce, which believes some minor clarifying change in the bill might be desirable to avert the misinterpretation that the Government should not consider policies and programs until a business decline sets in. Long-range planning is also necessary, according to the Bureau of the Budget, to guarantee that any Federal investment and expenditure programs which might be undertaken shall make their maximum contribution to the national welfare and well-being.

The President's report should include, according to Federal Security Agency, a record of consultations with the advisory board, any recommendations of the advisory board, and any comments thereon.

Specific full employment measures

The Department of Labor feels that the means to be used to achieve full employment should be treated explicitly in the declaration of policy. In particular, to reassure those who fear that the means that could be employed might discourage private investment, and to correct possible misinterpretations of how the bill might be administered, the Department suggests more explicit recognition of the intent to use Federal investment and expenditure as a final device for balancing out the Nation's economy. Explicit intent to minimize the need for deficits in the Federal Budget is also recommended. A suggested rewording of section 2(d), (e), (f) in accordance with these suggestions is included in the Department's letter.

The Bureau of the Budget observes that section 3(c) has been misinterpreted as suggesting that full employment is really to be accomplished by additional Federal expenditure. To dispel this misinterpretation, the bill should place greater emphasis on the various policies outlined in section 3(b), the Bureau believes. This might be handled by adding "in conjunction with the other measures recommended in the National Budget" on page 6, line 2, after the words "as will be sufficient."

The Bureau of the Budget raises the question whether it might not be appropriate to insert the word "deemed" before the word "sufficient" on page 6, line 2.

The Federal Works Agency further remarks that while the bill provides that the President should present a program of public expenditures to supply the lack of the required expenditures, the bill does not specifically provide for the submission of a program or programs of public works. Federal Works Agency suggests, therefore, that the committee might consider the inclusion of such programs in the required proposals.

Section 3(c) might be interpreted, the Bureau of the Budget observes, as indicating that the bill considers public-works construction programs the most important item in the Federal investment and expenditure program.

> If this is not the intention—

the Bureau remarks—

> the text might be clarified by referring also to other than public-works expenditures in the same paragraph.

Greater emphasis on tax policy as an instrument of a full employment program was suggested by several agencies.

> In particular—

says the Department of Labor—

> there should be recognition that Federal intervention in the form of the maintenance of consumer demand through the remission of taxes or other appropriate means will be a possible way of supporting private enterprise markets.

The Office of Price Administration specifically recommended that, in the last sentence of section 3(b), taxes be mentioned first among the type of programs proposed. Section 3 as a whole, according to the Office of Price Administration, gives an impression of what many regard as undue emphasis upon Federal expenditure and inadequate reference to tax remission. The Department of Agriculture felt that provision for tax flexibility as well as expenditure flexibility should be considered by the committee with reference to section 6(b).

Miscellaneous

In gathering the information necessary for the full employment program there may be involved matters that are of a nature confidential to the private businessman. The Smaller War Plants Corporation points out that the gathering of this information might be facilitated if a provision preventing disclosure were incorporated in the bill. (H. R. 2202, companion bill to S. 380, contains such provision.)

Section 8(b) makes explicit the fact that the full employment bill does not authorize the use of compulsory measures of any type whatsoever in determining allocation or distribution of manpower. The Office of Price Administration feels that this section could be made still more reassuring if, after the word "manpower" there were added "land, other fixed and liquid capital, or economic resources."

The Interior Department suggests a modification of section 6(d) so that Congress could—

> explicitly reserve authority to impose limitations upon, as well as to prescribe principles and standards for, the exercise of the power to vary the rate of Federal expenditures which this clause of the bill would confer.

Rewarding of the first line of section 6(d) (p. 1, line 6) is supplied.

The Interior Department believes that section 8(a) (p. 12, lines 1 and 2) should be amended to read as follows:

> (a) The operation of plants, facilities, or other productive facilities by the Federal Government except as otherwise authorized by law.

The Interior Department explains that the addition of the words "except as authorized by law" would remove any possibility of an inference that existing provisions of law authorizing the operation of particular plants or facilities by Federal Government were intended to be modified or affected by the bill.

[From Survey Graphic, March 1945]

AN ECONOMIC BILL OF RIGHTS

HERE IS A LABOR BLUEPRINT FOR ESTABLISHING NOW THE RIGHT OF EVERY AMERICAN TO WORK, STEADY WAGES, FOR PROFITS, A RISING LIVING STANDARD

(BY PHILIP MURRAY)

I do not ask you to try to visualize 10 million bales of cotton heaped up in piles. Or 10 million army trucks and military weapons lying idle. Or 10 million books on library shelves. But I do ask you to try to picture 10 million living, breathing human beings who are being dismissed from their war jobs, and who must have continuous employment with a good income if they are to provide themselves and 20 million dependents with food, clothing, and shelter.

My warrant for asking you to picture these 10 million Americans is because out of my own experience I know what it means to want work and be without money to get necessities.

We are a powerful nation, in every sense. At the moment we are custodians of atomic power, the full significance of which we are only beginning to understand. That is a new challenge. There is an older one. Are we going to master our own economic system or are we going to allow another cycle of unemployment, hunger, and depression which will lead the world to war? Are we masters of the force of nature but unable to prevent little children in workers' homes from being undernourished because their parent cannot have a job? Are we to go on talking about atomic power, radar, and electronics, while Americans are right now wondering how they are going to get the necessities of life?

Last April a CIO conference was held in New Jersey to discuss the problems of returning veterans. A corporal asked, "What guarantee does the Constitution give me that I can get a job when I get out of the Army?" He had to be told that the U.S. Constitution contains no such guarantee, and that the passage of the full employment bill of 1945 would be a first step toward adding an economic bill of rights to our political Bill of Rights.

Congress has an enormous opportunity this fall and a solemn responsibility. These months should be memorable for the progressive legislation passed. The country must be mobilized for an attack upon poverty, ignorance, and fear that compares to our war effort. No one can say such a mobilization will cost us too much; the contrary is true—it will cost us too much to fail.

The war cost us $10 million an hour: $10 million a day for the transition to peace would be an insignificant sum in consideration of the treasure we shall lose and the unhappiness we shall endure if we have mass unemployment. The total dollar cost of the war will be more

than $400 billion. The sales lost through mass unemployment of Americans during the depression totaled $355 billion. Even greater than wage and profit loss was the suffering of people which cannot be measured. I insist that every citizen has a right to a job at a high wage, commensurate with work performed; that it is the responsibility of the National Government to assure that right; that all the resources of the Government should be applied to make it effective.

We must use what it takes to prevent the catastrophe of mass unemployment just as we used our resources in cooperative endeavor to prevent the catastrophe of fascism from overwhelming the world. My idea is not merely that work shall be created through appropriation of public funds to keep people from starving on a $52-a-month WPA. We are dealing with new wealth greater than we have ever conceived, created by the application of skill, intelligence, and energy in such volume that really substantial fruits of victory will spread throughout the world.

Some manufacturers are saying they cannot provide more jobs than existed during the war or even as many. I do not believe or admit that. We never before the war produced the quantities of food, clothing, and shelter needed to give all Americans a decent standard of living. We can expect such productive activity to provide millions of jobs.

THE OPPORTUNITY WE CONFRONT

We have a dozen million veterans returning. They are not going to be satisfied if veterans of the last war and other workers are discharged to give them employment. But production itself has a triple obligation to meet from the wealth that is created through the cooperative efforts of management and labor in mining, manufacturing, and transportation. There is not only the obligation of dividends to owners; even more important is the obligation of high wages to workers and of ample taxes to support the huge new public services which both provide the people's basic needs and give new jobs.

At the close of the greatest war in history, with our economy safely preserved from enemy attack, we find ourselves at once in the most promising and the most vulnerable position of all the allied nations. They are confronted with the problem of reconstruction and rehabilitation. We face the question of how to live with our abundance.

Chaper 10 in Fred D. Vinson's July 1 Report (written while he was still Director of War Mobilization and Reconversion), contained this passage:

> The American people are in the pleasant predicament of having to learn to live 50 percent better than they have ever lived before. Only the defeatist can scoff at the inescapable fact that we must build our economy on that basis.

But people are not going to be 50 percent better off if they no longer have jobs. People who are unemployed are 100 percent worse off. I am making no criticism of Judge Vinson; rather I praise him for the vision reflected in his statement, as well as for his letter last June to Senator Wagner, when he gave the full force of his considerable influence in support of S. 380.

The American people are asking: Why are the good things a part of war? Why can't we have them in peacetime as well? They have seen infant and child care, housing, maternity care for wives of servicemen, more ample supplies of good food, physical fitness activities, steady jobs at better wages, more complete utilization of the labor and skill of all Americans.

Now that hostilities have ceased, even the things war has provided are rapidly disappearing. Some questions are in order: Are we concerned about the health and care of mothers and children only when the husband and father is in the Armed Forces? Are we willing to provide housing on the basis of people's need for it only when soldiers are living in foxholes? Are we ready to feed people adequately when they are making or using engines of destruction but care nothing about nourishment of the same people when war is won?

Our citizens are not foolish persons; they are asking all these and a multitude of similar questions. To preserve democracy, it will be necessary to give them very concrete demonstration that the fruit of victory is something better than we have ever had before.

We are thinking of these things while victory is new and masses of people are losing their jobs. When an Army bomber hit the Empire State Building in New York, the cables on one of the elevators were cut and the car dropped some 80 floors to the street. The unemployment resulting from contract cancellations is causing the same sudden and precipitous drop in buying power, just at the time when we need tremendously enlarged income to take up the slack created by cessation of so much Government war spending.

Before me as I write is a copy of a study of the Braddock, Pa., steelworkers employed at the Edgar Thompson works of United States Steel in that city. The steelworkers throughout the war—even while averaging 47½ hours of work a week—have been going into debt. This study shows that the cost of living has risen faster than their wages. Those now working regularly 40 hours a week are suffering hardships and going further into debt.

Everybody knows about the $15 billion invested by the Federal Government in war plants and machinery. Workmen do not think of them as figures in an accountant's ledger; they think of them as hours of labor applied—units of goods turned out.

The American labor movement believes in private competitive enterprise. Rank and file union members are expecting the industrialists to buy or lease the plants and run them. If the plants are not soon started up to make jobs and turn out goods, the average citizen is going to ask, "Well, why doesn't the Government hire engineers and managers to operate these factories as it did during the war?"

If private enterprise fails to give workers jobs at good wages, turning out things we all need the people will recognize the failure of private capitalism and vigorously call for Government operation.

ENABLING LEGISLATION

Passage of the full employment bill will be the legal acknowledgment that the National Government assumes responsibilities for prosperity in peacetime. But, of course, the bill does not either bring full employment or say how the new high standard of living shall be maintained. It is a declaration of intention, and provision of the means to start the job.

I think of the history of the Panama Canal as an illustration. We spent a century talking about digging a canal; Congress passed the enabling legislation in 1902. The bill did not contain all the specifications and engineering data. Enactment of the law merely said: It is the purpose of the Nation to have a canal. There were many difficulties to overcome and much effort to be put forth before that purpose was accomplished. But the canal was finished and the great oceans of the Atlantic and the Pacific were joined for the betterment of commerce and communication.

Senate bill 380 is enabling legislation, the object of which is to unite the two great oceans of production and consumption so that commerce may increase and full employment be attained. The bill designates the machinery to begin a job which cannot and must not be delayed.

There is a certain disgrace in the fact that this measure and a score of similar imperative measures were not enacted into law a year ago. Some very important people were asleep at Pearl Harbor on December 7, 1941; there is even less excuse for having been asleep at this second, economic Pearl Harbor.

WARNINGS FROM THE PAST

Back in the summer of 1940 the big industrialists were unwilling to take orders for production of war goods unless they received certain unreasonable assurances. When new plants had to be built to increase output they refused to move until the National Government guaranteed them that the costs would be amortized in 5 years. This has meant that the products of these plants have been priced at least 20 percent higher than they should have been. The plants have ben paid for by the people, but are privately owned by the corporations.

In April 1942, President Roosevelt sent to Congress the seven-point stabilization program, which was delayed and dillydallied over and amended until a weakened Economic Stabilization Act was passed. It was emphasized at the time that the entire seven points had to operate together to make the program effective. The adverse economic consequences of selecting only wage control for real policing with almost no concern about profits and too little concern about prices, is apparent in the imbalance now existing between property ownership and workers' income.

In October 1942, the Kilgore-Pepper-Tolan bill for total war mobilization was rejected. The operation of that measure in our war economy would have made more secure the transition into victory.

In April 1943, Congress repealed the $25,000 limitation on personal salaries, again giving concern only to those who have too much and ignoring the great mass of the people who have too little.

In February 1944, there was the overriding of the President's veto of tax legislation, a bill which was aptly described as giving "relief for the greedy, not for the needy."

PROMISE MADE IN DECEMBER

In August 1944, after assuring corporations of all costs plus profits in a contract termination act, and promising them the exclusive use of Government-owned plants in the Surplus War Property Act, Congress refused to report and pass the Murray-Kilgore bill to provide unemployment compensation and transportation costs to war workers.

This has been reintroduced in the present Congress as the Kilgore-Forand bill.

The promise that was made at the end of 1944, when the 78th Congress adjourned, to take up this question first in the 79th Congress has not only been completely broken, but when President Truman sent an urgent message late last May, some 10 weeks passed before a bill even was introduced.

Even though Congress did enact the War Mobilization and Reconversion Act of 1944 with its title V calling for planning and preparation of public works through the Public Works Administrator, the $150 million appropriation requested to begin the engineering and blueprint work was rejected, the House Ways and Means Committee driving the figure down to a mere $5 million until the Senate came to the rescue and insisted on $17,500,000—still a completely inadequate amount. The American Society of Civil Engineers shows a goal of $10 billion worth of private construction projects with only $404 million ready for bids, and a goal of $5 billion worth of public construction projects with only $805 million ready for bids.

PROFIT SECURITY

Those Members of Congress who are guilty of all these derelictions concerning the common people have not hesitated to add to the inflation of American corporate fortunes. Last July, a special interim tax measure was made law to hasten the return to the wealthy of some of the taxes they had been charged from their excess war profits. This action was taken at the same time President Truman's message urging unemployment compensation legislation lay untouched.

The Revenue Act of 1942 already contained the carryback, carryforward provisions, as well as the provision for refunding 10 percent of corporations' excess profit taxes which had been paid during the war. The first of these allowances made available a total of $27 billion and the second approximately $3 billion. On top of all this, the working capital of American corporations listed on the national stock exchanges increased $20 billion from war profits. The July 20 report of the Securities and Exchange Commission headlines the war profit gain in working capital of corporations at 63 percent above the 1939 level, and declares:

"The steady increase in working capital to unprecedented levels, reaching a new high estimated at $45.5 billion for all American corporations, is considered by the Commission to reemphasize the ability of American industry as a whole to reconvert to peacetime production and also to undertake considerable expansion without recourse to outside sources of funds."

Against this huge coagulation of wealth, the cost of industrial reconversion beyond that absorbed by the Government under the Contract Termination Act is only $3 billion. This figure is stated in the May 10 document entitled "The War—Phase Two" issued by Judge Vinson immediately after V-E Day.

These figures become more significant when I point out that they mean the typical American corporation is protected against reconversion loss of income to the extent of 15 years of normal net income on the base of 1936–39. If this huge sum were available to workers, it would mean that the average wage earner would now have on hand war savings in the amount of $7,200, would shortly receive a tax refund of $1,200 from the U.S. Treasury, and in case of reduced earnings or no earnings during the next year or two, could call on the Treasury for additional payments up to $9,600. His total protection for the transition would add up to $18,000.

Instead of such a sum, each wage earner has on the average only about $300 backlog of savings. This includes the great majority who have nothing, as well as those who are lucky enough to have saved a $1,000 or more. Even if the full $25 a week of unemployment compensation urged by President Truman and the labor movement should be paid, for the full 26-week period suggested, the total amount would be only $650. This would not support a family adequately for a half year.

I mention these matters of neglect and discrimination to show that certain people in and out of Congress are so shortsighted as to oppose purchasing power for workers. Why, I do not know, since the success of businessmen depends on their having a good market for their products.

WHO WANTS UNEMPLOYMENT?

Some of these same people have been raising objections to the full employment bill and the related legislation. I should like to be quite direct about this: Who does not want full employment? I have noticed in the financial and some daily newspapers an undertone of satisfaction that there will be masses of unemployed people again. Who wants to see a big float of unemployment, and why do they want it?

I take this occasion to put the question directly to every Member of Congress: Do you want to see unemployment of Americans? I am not satisfied to listen in reply to legalistic doubletalk. I am not interested in a sterile discussion about isolated phrases and whether the right to a job and a good income is an introduction of tyranny.

Here is a situation with respect to our economic welfare and the prosperity of our people which reminds me of a well-known statement of nearly 20 centuries ago: "He that is not for me, is against me." One is either for a full employment program with responsibility in the National Government, or he is for unemployment. This basic truth cannot be hidden in verbiage.

Can we look into the mind of a man who wants unemployment? What can the motive be? In this connection I am reminded of a remark attributed to Insull:

> The surest guarantee of a contented working force is a long line at the employment office window.

President Truman's radio report to the people on the Potsdam Conference included a pertinent sentence:

> The thing we have learned now, and should never forget, is this: That a society of self-governing men is more powerful, more enduring, more creative than any other kind of society, however disciplined, however centralized.

Self-government—that is, democracy—extends into the employment relationship.

All of this economic struggle we are now going through is part of a lesson we are learning that the common people are not primarily hewers of wood and drawers of water to accumulate wealth for others. In our technological society people are primarily consumers—and in order to consume they must have income. Consumption must be provided for in order to keep production and employment at the maximum. The long line we need to encourage must stand, not at the employment office windows but at the cash registers of the Nation, ringing up sales to keep orders flowing back to the factories and mines and mills.

ECONOMIC BLOOD CLOT

To date, Congress in its tax legislation and profit concern, has been driving the postwar economy toward a depression. The huge sums in the control of the wealthy can only clot in the circulation system of our economy. In contrast, there is a virile pumping of the blood of spending power through the system when the mass of wage earners have money to keep goods moving into consumption.

I am told discharged warworkers need not worry about being unemployed, because they have savings to fall back on. I am quoted the fact of $140 billion of cash reserves, with the presumption that this entire sum is in the pockets of warworkers. Nothing could be further from the truth. Just one simple example will be revealing. Wage earners hold about $16.5 billion worth of the $165 billion in outstanding war bonds.

With these bondholders unemployed and without substantial unemployment compensation, this backlog will go to pay house rent, food, clothing, and utilities bills, insurance, and other basic costs of maintaining a home and family.

Automatic machinery in postwar production will have so high a production quotient, so much more can be turned out with fewer people, that it will become increasingly impossible to sell the output unless the mass of workers are continuously employed at high wages. The kind of society we have organized makes high income of the mass of people an economic necessity, quite aside from the ethical truth that common men and women should have a fair share of the good things of life.

This fact makes more apparent than ever the utter fallacy of the doctrine of "pouring in at the top," which was repudiated in the 1932 election when Herbert Hoover was turned out. In spite of the people's decision, there has been too much of the philosophy of paying business ever bigger profits with the idea that some of the purchasing power would trickle down. It does not do so; I have already shown how such wealth clots in the economic system. Perhaps the idleness of this wealth would not matter if the mass of workers in the Nation had guaranteed incomes. They would spend, which would create sales, orders, and production. But when corporations have the reserves and will not spend them, when workers have little or no reserve to spend, sales decline, orders stop, and production is held to that fraction of capacity which pays the highest profits at the lowest level of operation. This is the vicious downward spiral in operation.

Here, then, is the primary reason for the full employment bill, S. 380. Through this bill, it is proposed that the National Government shall step in with certain guarantees. These will reassure the individual businessman, and he will expand his production.

The proposal is quite moderate in the face of the situation before us. The realization that we stand on the threshold of the atomic age is beginning to dawn on us in fuller understanding. We must catch up with new concepts while as a nation we discard some of the old concepts—shifting, sorting, winnowing so that necessary change will mean progress, not merely change for its own sake. The better the matching of mental attitudes with technology, the better will be our new world.

A second gigantic World War in our times, at the end of which we midwived the atomic bomb, has forced us to adapt ourselves to new techniques even before our social and political institutions were adapted to the older era. The result is an even more rapidly extended technology, still further out of line with our institutions.

The gap has been enormously widened, just when we had begun to close it somewhat by the modern social-economic legislation once called the New Deal. A British columnist wrote recently in a London newspaper:

> While the general election killed conservatism in England, the atomic bomb killed it all over the world.

There is time to speed up lagging mentalities, but not much time.

AN UPSIDE-DOWN APPROACH

I say these things soberly because of the bill before us. This bill is not conceived for an atomic age; it is a bill which should have been law a decade ago—certainly 2 war years ago. It does no more than direct the President to gather certain information, embody it in a national budget message, and recommend action to Congress.

Even while I support the bill, there is a certain word in it which alarms me. "When there is a prospective deficiency in the national budget * * *" it says. The bill gives private enterprise two chances to make good—once under its own steam, and once with a stimulating injection by Government. When private enterprise then fails, it calls for making up the deficiency. This is not the vision we should have of the brave new world we hope to build.

The concept of the CIO unions is not that Congress shall benevolently step in when private enterprise is found wanting and give the people something to keep them from starving. Our idea is Government planning and preparation of a national program which will permit the American people to achieve the full potential of what they can do for themselves. We say that the Federal Government is the instrument through which we can all work together to accomplish full employment and a high annual income. We do not like a deficiency approach which presupposes failure to reach our full capacity and assumes that the duty of Government is nothing more than to shore up deficiency.

"Deficiency" thinking is an upside-down approach to the potentialities of today. Now, for the first time in our history, all Americans can have abundance because with our gains in science and technology we can create abundance. This is not talk against private enterprise; rather it is a plea for a program that will permit private enterprise really to do its stuff. Especially, we conceive of it as a plan to give private enterprise vast new markets for goods and services their most imaginative sales managers never dreamed of.

Senate bill 380 provides the machinery for the planning, the estimating, the calculating of our full potential. We do not look upon this and related legislation in the manner of a vice president in charge of sales trying to figure out how many units of his company's product he can sell in a market where only a fraction of the people are employed, and where those who do have jobs have incomes so small they constitute only a trickle instead of a river of purchasing power. We are approaching the question from the other side.

SOCIAL ENGINEERING FOR ABUNDANCE

We need to determine not how many people can normally buy shoes or afford houses with plumbing, but how many pairs of shoes the American people need a year and how much plumbing. We need to gear our economy to an overall full employment plan of that kind, industry by industry, with some governmental guarantee that the individual businessman will be able to dispose profitably of output expanded in accordance with such a plan. This is the concept set forth in the CIO reemployment plan adopted in Chicago last year.

At the beginning of the atomic age we need to make an entirely new approach to the question of production and consumption. It is a problem in social engineering, more complex that designing a bridge or computing stresses in a skyscraper because people and their feelings and desires are involved. The job can be done; it must be done if our institutions are to survive.

We know we can produce abundantly; we have done it for war. This bill will be a first step toward doing it for peace. Only such full production will keep healthy our agriculture, labor, industry, and business.

There are people in the Nation who are afraid of a program of full employment and production. Even in Congress, there are those who have village minds in a cosmopolitan society and manage to hold a penny so close to their eyes that they hide the whole blazing sun. The existence of these timid and frightened souls make more imperative the energy and devotion of the rest in advancing this constructive and progressive program.

The last point I want to make is the urgent necessity for speed in the passage of this bill, and of the supporting legislation as well. If the bill were law tomorrow, it would not be applicable until the new fiscal year which begins July 1, 1946.

On the situation we confront the most important fact is this: Counting the 12 million men and women in uniform, we have employed 64 million people in the war effort. Allowing that some 5 million will leave the employment market and that 2 million will remain in military service, there remain 57 million who need jobs. To them there is added an annual increment of half a million young people of employable age.

Congress, like the rest of us, needs to rise to the challenge of these times and match its decisions and its performance with the opportunities of the atomic age.

[From the American Political Science Review, December 1945]

MAINTAINING HIGH-LEVEL PRODUCTION AND EMPLOYMENT: A SYMPOSIUM[1]

I. A PRACTICAL APPROACH

(BY JAMES E. MURRAY,[2] U.S. SENATOR FROM MONTANA)

I

America has triumphed in the greatest war in all history, but we have yet to face the major enemy at home—unemployment and all the tragic waste and misery occasioned by it. By now it is hardly necessary to stress the grim fact that unemployment is a real threat. We have seen the first impact of demobilization and reconversion in many areas of the Nation, especially in communities where aircraft and shipbuilding industries boomed in wartime. Some measures have been taken to cope with these shortrun difficulties, and others are now under consideration. But the real danger lies beyond the present demobilization period. Fear has been creeping into the heart of all America—our returning soldiers, our war workers, our young graduates facing an uncertain future, our older and handicapped workers—a fear that relates to what will happen as things get back to "normal." The dread lies in the word "normal."

We know, of course, and we are constantly being reminded, that for a while one may expect activity of boom proportions—that those who have saved during the war will be purchasing the cars and radios and refrigerators that they have gone without for years, that agricultural and other exports to the devastated world abroad will be at a record peacetime high, that producers will be spending feverishly to restock inventories and replace wornout capital equipment. However, these are temporary factors which will end all too soon. Nobody has forgotten that they quickly petered out after the last war. When backlogs at home and abroad have been filled, the postwar bubble will burst.

Meanwhile there are basic difficulties in our system that will emerge just as soon as we get back to "normalcy." It became apparent in the last depression—and the experts all agree—that there is something wrong with the distribution of income in our economy. Purchasing power tends to become clogged and to pile up in idle hoards. Not enough of the income created by production gets into the hands of those who will spend it back into production. The results are less output, fewer and smaller incomes, a decrease in jobs, slowing down of the wheels of industry, depression, mass unemployment.

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[1] Planned and arranged by Fritz Morstein Marx, Queens College.

[2] Chairman, Senate Committee on Education and Labor and Senate Special Committee on Small Business; senior sponsor of the proposed Full Employment Act.

It is true that we have had full production and more than full employment during the war. But this was because roughly half of our national product was consumed by the Government and a large part of the huge earnings in war and civilian production was poured back into our economy, which kept it operating at the highest speed it ever attained. Government expenditures are now being slashed at an ever-increasing rate. Such reduction clearly demands that the slack be taken up through expenditures made by business and consumers—or else we shall be operating our economy far below capacity.

The term "capacity" has deeper implications. Capacity means more than plants and machinery and tools and assembly lines. It can be most concretely visualized in terms of men and women equipped to produce. The more workers there are, the greater the productive capacity of the Nation. And the better the training and equipment of these workers, the higher our capacity. One of the most startling events of recent history—indeed, of all history—has been the remarkable increase in our productive capacity in the last few years. Even conservative estimates tell us that by 1950 our gross national output will be almost double what it was in the peak prosperity year 1929.

This should be all to the good. And it will be if we take full advantage of it to expand the stream of goods and services flowing to the people. Unfortunately, however, our economic vulnerability has kept pace with the rapid growth of productivity. We have not solved the problem of underconsumption and unemployment. We still have the threat of so-called overproduction.

This country cannot afford again to go into a depression such as we experienced in the prewar decade. Mass unemployment would mean discontent, disunity, and an irreparable loss both in physical wealth and in moral well-being. An unemployment crisis in America would spread like wildfire throughout the world. It would bring forth dumping, higher tariffs, export subsidies, blocked currencies, and every other new and old type of economic warfare. And this would inevitably wreck our plans for an effective international security organization, turn back the clock of progress, and plunge us into another holocaust of blood, suffering, and chaos.

II

Business cannot by itself keep the wheels of industry turning at a rate that will provide sustained employment opportunities for all who are willing and able to work. Unless producers have confidence in adequate markets, they dare not expand plant and equipment. But how can a businessman expand when he is gripped by fear that we are headed for depression? There is one kind of risk that it is his function to assume—the competitive risk that he may have to meet the challenge of a better and cheaper product. He cannot, however, be expected to take on the additional risk that the bottom may fall out of the market—not so long as we continue to operate within the framework of the private profit system.

A short time ago, Dr. Edwin G. Nourse, of the Brookings Institution, made this clear before the Senate War Contracts Subcommittee, of which I was chairman. He said, in part:

> But no one who will honestly look at the past and present record of America can doubt that the majority of businessmen are, in fact, afraid of competition, just as they are afraid of really free enterprise. There is a constant fear that there won't be enough purchasing power to go around, that if we really "let ourselves go," with all our skill and ingenuity, with all the technical efficiency we have developed, there would be general overproduction, flooding of the markets, and general breakdown.[3]

The result? The producer plays it safe. He prices for depression, thereby creating depression. In the words of Mr. Nourse:

> * * * setting the profit sights too high, charging what the traffic will bear when the going is easy, refusing to embark on economic ventures unless a return is assured which will yield profits on idle plant as well as utilized plant, and in periods of unemployment as well as more prosperous periods, is self-defeating in the long run.[4]

When a businessman is forced to face the risk of mass unemployment and bankruptcy, he will inevitably seek some avenue of escape. This leads to restrictions on production, increased prices, and the discharging of his employees.

It is therefore obvious that we need the assurance of a program under which the Government cooperates with business and undertakes to create confidence in the existing markets by holding forth a guarantee that there will be no widespread unemployment. Such a program enables the businessman to overcome his fears of a depression and to maintain reasonable prices, high production, good wages, and full employment.

III

A program of this kind can be developed only by the Federal Government. Neither local and State governments nor any single economic group can assume the responsibility. Only the Federal Government is in a position to look at the economic scene as a whole, to locate the trouble spots, and to take effective action to forestall inflation or deflation.

The proposed Full Employment Act—which at the time of our writing is being debated in the Congress—is based upon this principle. The bill stems from a report, "Legislation for Reconversion and Full Employment" submitted to the Senate Committee on Military Affairs on December 18, 1944, by the then Senator from Missouri, Mr. Harry S. Truman, and myself. This report contained the following statement relating to the gigantic war economy which had been built up in our country:

> Almost half of the framework supporting this giant structure consists of war contracts. When war contracts are withdrawn, the danger is that the entire edifice will topple over * * *. Unless an economic substitute is found for war contracts, mass unemployment will become a serious threat and the number of unemployed men and women in this country might easily surpass anything that was dreamed of during the last depression.[5]

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[3] "Mobilization and Demobilization Problems," subcommittee of the Senate Committee on Military Affairs, 78th Cong., 2d sess., hearings, pt. 3, pp. 92–93.

[4] Ibid., p. 96.

[5] Senate Subcommittee Print No. 12, 78th Cong., 2d sess., p. 10.

The report pointed out that the Contract Settlement Act, the Surplus Property Act, and the War Mobilization and Reconversion Act[6] are—

> purely transition measures—yes, important transition measures—but nothing more. None of them attempts to assure a sound postwar economy.[7]

The report then discussed the Government's responsibility toward postwar employment:

> In January 1944, the President of the United States, in his message to Congress on the state of the Union, outlined an "economic bill of rights." The first point in this document was the following:
>
> "The right of a useful and remunerative job in the industries, or shops, or farms, or mines, of the Nation."
>
> * * * Statisticians may debate among themselves as to whether the precise goal should be a little more or a little less than the President's 60 million figure. But no thoughtful American—no matter what his creed or station in life—would deny that every man or woman in the country who is willing to work and capable of working has the right to a job.
>
> * * * The right to a job is not self-enforcible. It can be translated into reality only through the joint action of the people of our country—business, labor, agriculture, and all other groups—acting through the medium of their duly elected government. In short, the so-called right to a job is a meaningless figure of speech unless our Government assumes responsibility for the expansion of our peacetime economy so that it will be capable of assuring full employment.[8]

The report also contained a draft bill based upon recognition of the Government's responsibility for the expansion of our peacetime economy, and the bill was transmitted without commitment for the purpose of stimulating discussion. Early in January of this year, several of my colleagues joined me in a study of the proposed legislation; thereafter we very carefully prepared a revised measure. On January 22, 1945, I introduced the revised measure in the Senate on behalf of myself, the Senator from New York (Mr. Wagner), the Senator from Utah (Mr. Thomas), and the Senator from Wyoming (Mr. O'Mahoney). Subsequently, four Republicans—the Senator from Oregon (Mr. Morse), the Senator from New Hampshire (Mr. Tobey), the Senator from Vermont (Mr. Aiken), and the Senator from North Dakota (Mr. Langer)—joined in the Senate sponsorship of this measure.

IV

The proposed Full Employment Act does three things:

First, it writes into law the solemn obligation of the Federal Government to assure an expanding economy which can provide useful jobs for all who are willing and able to work. During the depression, the Federal Government assumed the obligation to combat destitution. Through relief and made-work, we provided 20 million people with a bare subsistence. The bill proclaims to everyone that the Government's responsibility today is not merely to allay destitution, but to prevent depression and unemployment.

Second, the bill defines the task of the President in making good on this policy commitment. It requires him to prepare and submit to Congress at the beginning of every year a complete and well-rounded program for maintaining full production and full employment. The program would constitute the President's annual employment budget in broad outline. But instead of merely proposing annual expenditures for various Federal agencies, as does the President's regular budget under the Budget and Accounting Act of 1921, his recommendations would lay out the policies he believes the Federal Government should follow in the coming year to secure full employment in the Nation. We call this economic budget—to distinguish it from the President's annual fiscal budget—the national production and employment budget. Through it the President would make known to Congress and the country (1) the total number of job opportunities needed for all persons willing and able to work; (2) the total amount of goods and services that our economy must provide if we are to have full employment; (3) the total power of the country to buy goods and services; i.e., the total purchasing power of business, consumers, and the Government; and (4) an appraisal as to whether this purchasing power is adequate to create a demand for enough goods and services to provide full employment.

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[6] On this legislation and its background, see V. O. Key, "The Reconversion Phase of Demobilization," in this review, vol. 38 (1944), pp. 1137 ff.

[7] Loc. cit. in note 3 above, p. 10.

[8] Ibid., pp. 11 and 12.

If things looked as though they were going well, the President's program would be aimed at maintaining the trend. If storm signals showed the danger of a slump ahead, the program would aim at strengthening the market for goods and services in order to bolster production and employment. This might be done by several measures. Business, for example, might be encouraged to expand by tax reductions and other incentives available to government. If it appeared that such measures would not be sufficient, State and local governments might provide adequate business stimulus by public works or similar programs. When it should become evident—and only then—that the job of keeping employment in high gear could not be done by private enterprise and our State and local governments, it would be the President's duty to propose stimulation of the economy by actions of the Federal Government. The bill does not specify what individual measures are to be taken to maintain full employment. It only makes it an obligation of government to see to it that jobs are available for all willing and able to take them.

Third, in addition to making it the duty of the President to propose broad policies for full employment, the bill requires that final decisions on these policies be reached by Congress. To reach such decisions would be a statutory obligation which Congress would be powerless to dodge. This is the bill's heart.

V

In recent years there has been a disastrous tendency toward the decline of congressional authority. Unable to cope with swiftly changing conditions, Congress has again and again delegated its policy-making powers to the Chief Executive. If the Full Employment Act becomes law, we shall see Congress awaken from its long Rip van Winkle slumber and begin to live up to the expectations of our Founding Fathers.

The bill provides for the creation of a Joint Congressional Committee on the National Production and Employment Budget. Composed of leading Democratic and Republican Members of both Houses, this committee would be instructed to set aside sectional issues and special problems and focus upon the whole picture of where our country is headed and what our Government should be doing. Instead of being neatly tucked away in committee files, the President's full-employment program would be referred to this joint committee. Public hearings would be held. Witnesses from all walks of life would be called. The final judgment of the committee on the proposed full-employment policies would then be cast in the form of a joint resolution and reported to both Houses.

Then, in the House and in the Senate, we should see a full and open debate on the general policy of the Federal Government—the kind of debate that we have needed for decades in order to clarify the position of the Republican and Democratic Parties. Thus, instead of major issues being debated every 4 years during presidential campaigns and forgotten in intervening years, questions affecting the economic life of the Nation would be kept constantly before the people. But debate would be empty and meaningless if it did not lead to decisions; and the bill forces Congress to face up to its responsibilities under the Constitution and make these decisions—by standing up and voting on the joint resolution. When passed, with or without amendments, the joint resolution would set forth the general policy of the Federal Government during the coming period. It would serve as a framework and guide for action on specific measures by all the committees of Congress and all the many agencies of Government.

Traditionally, the fine art of "buckpassing" has flourished in Washington as nowhere else in the world. When things go wrong, the President can always blame Congress. The Senate can blame the House. The House Democrats can shift the burden to the House Republicans, and the House Republicans can "pass the buck" to the White House. Under the Full Employment Act, the President, both Houses of Congress, and both parties would have to come out in the open and tell everyone where they stood.

Hunting for responsibility among the 96 committees of Congress is like hunting for a needle in a haystack. There is no overall responsibility for the acts of Congress as it is now constituted. The bill takes the most far-reaching step yet proposed for the discharge of this responsibility, because it creates a body charged with making decisions on basic policies of the Government. In effect, the bill would initiate the streamlining of Congress which many leaders in Government and business have so long advocated.

The steps toward full employment would be taken by the President and Congress in the usual way. That is, the two branches of Government would work together, the President proposing and Congress enacting the necessary legislation. The top executive of a corporation must appraise economic trends and develop specific goals for the coming few years—whether it is for the production of 300,000 automobiles or the development of a helicopter that can be landed in anyone's backyard. In accordance with these goals, he must lay out a specific budget of future expenses—so much for new plant and equipment, so much for wages and salaries, and so much for advertising. Next, this budget must be presented to the board of directors, which serves the same function as that exercised by Congress. The board of directors goes over the budget with a fine-tooth comb, readjusting it if necessary, and then gives the executive the green light. If any important change in policy is to be made, he must report back to the board and get his orders. Under the Full Employment Act, Uncle Sam would operate on these same sound principles of business budgeting.

VI

In drafting the bill, its sponsors received an abundance of free advice from the peddlers of panaceas and the promoters of specific projects. We agreed with many that their ideas were sound. But we came to the conclusion that by itself not one of their suggestions was sufficient to assure full employment in a free America. Under the Full Employment Act, we can give each of these supposed panaceas their proper place. The bill provides for a national production and employment budget which could be as broad as the needs of the country and the vision of our leaders.

Within the framework of this budget, the Government is to develop a comprehensive program that would include taxes, wages, monopoly control, public works and conservation, social security, health, and education services, capital for small business and veterans, and any other policy or plan that made sense. From year to year, there would be many shifts in the Government's full-employment program. Conditions change, and men's needs change with them. At one time, it might be imperative to prevent inflation; at another time, to prevent deflation.

Would enactment of the bill guarantee full employment? The answer is "No." Enactment of the bill would merely guarantee that we were taking the first step on a long, hard road, and that we were doing it with the courage to look ahead and with our eyes fixed upon important goals. The effectiveness of the full-employment program in any year or any decade would depend upon the combined wisdom of both the President and Congress. It would depend upon the cooperation received from businessmen, workingmen, farmers, the mayors of our cities, and the Governors of our States. In the final analysis, the question of whether or not each of us shall enjoy the right to work will be in the hands of the American people.

II. Technical Requirements

(BY GERHARD COLM, FISCAL DIVISION, BUREAU OF THE BUDGET)

I

Maintaining high-level production and employment is widely recognized today as a desirable objective of Government policy. Those who oppose the Government's accepting express responsibility for the achievement of this objective insist that Government in a free-enterprise economy is not equipped to live up to such a responsibility. Criticism comes from two sides. Protagonists of a laissez-faire economy fear that a Government pledged to assure full employment will be driven into more and more planning and regimentation. Protagonists of a planned economy, on the other hand, insist that any attempt to solve the problem of full employment within the framework of free enterprise will be futile. They fear that such an effort will only delay the transition to a planned economy, which they believe is the only final solution of our economic and social problems. Both kinds of critics maintain that the technical requirements of a policy designed to maintain full employment are incompatible with a free-enterprise economy.

What, then, are the technical requirements of a policy of full employment? Is the Government equipped, or can it be equipped, to do the ob without paying the price of adopting a regimented economy? Perhaps those who speak of full employment in a free-enterprise economy are driven into the same dilemma in which the oldster found himself when telling his grandchild about the alligator chasing the frog. The frog jumped from the log into the river, swam through the river, hopped on land—the alligator coming closer and closer. When the alligator finally cornered the frog under a tree and opened his mouth to swallow him, things were getting desperate for both frog and storyteller. The old man knew only one solution: "The frog looked up and saw the tree and just as the 'gator's jaws were closing down, the frog flew up into the tree." "But Grandpa," said the little boy, "frogs can't fly." "'Deed they cain't, Son, 'deed they cain't," was the answer, "but this frog flew—he had to."

Economic insecurity threatens our national and individual existence. What is the solution? Must we change from a jumping, swimming, and hopping frog into a flying frog? Must we radically change our institutional equipment, our ways of work and living? Or can we influence the general level of economic activities without attempting to control all of them in detail? Can we, in other words, insure job opportunities without telling everyone what to produce and what to consume? No exhaustive answer to these questions can be given in a short paper. But before even trying to answer them we should investigate the requirements of a policy of full employment in a free-enterprise system.

II

There has, of course, never been a free-enterprise system without important governmental activities supporting, supplementing, and limiting private economic activities. We observe in reality a multitude of intermediate stages between the hopping and the flying frog of our parable. Here we are not concerned with public policies that affect only specific interests, such as measures designed to protect labor, aid agriculture, subsidize shipping, or foster any particular industry. We are concerned only with policies that affect the general level of economic activities and thereby the general availability of job opportunities. All through the history of economics and economic policies we notice the search for that device of policy which could be used as a lever for influencing economic developments as a whole.

In the time of mercantilism, it was thought that the circulation of money—and money meant coin minted of precious metals—was the critical element in economic expansion. More money in circulation meant more business; reducing money in circulation caused economic stagnation. Money was added by import of precious metal, which in turn required stimulating exports and discouraging imports of merchandise; this was called a "favorable balance of trade," while an "unfavorable balance of trade" drained money off for payment of the import surplus. Thus, influencing foreign trade was regarded as the key to a government policy designed to promote economic expansion.

When it was recognized, however, that money could be added not only by the import of precious metals but also by the creation of bank credit, policy guidance of foreign trade lost its use as a lever for influencing economic activities as a whole. It was relegated largely to the status of a device for protecting specific industries and interests. Central bank policy now took the role of the prima donna in the theater of economic operations. Lowering the discount rate was viewed as a means to stimulate the use of bank credit and to encourage economic activities in general. Conversely, an increase in the discount rate was looked upon as an effective damper on such activities, particularly speculative ones. This was the economic policy devised by the so-called neoclassicists—a policy believed to be effective for influencing economic activities in general and yet compatible with an otherwise laissez-faire attitude. The neoclassical theory has prevailed among economists during the first quarter of this century.

The great depression of the thirties shattered their confidence in the effectiveness of central bank policy as a steering mechanism for a free enterprise economy. Even though credit policy was not ineffective as a brake on speculation and remained in use for stimulating certain types of business investments, it could no longer be regarded as the strategic weapon with which a slack economy could be lifted to a level of full employment. The conclusion suggested itself that the Government must come to grips with a more vital element of the economic mechanism. What could be assumed to be the most vital element in economic development?

Classical theory taught that low prices for the factors of production—particularly low wages and low interest—cause expectation of profit and induce businessmen to expand production and hire more workers. More production means increased disbursement of money in the form of payrolls, and hence additional purchasing power. Expanding business thus creates its own market—if only (*a*) the costs of factors of production are sufficiently low, and (*b*) credit is available to bridge over the time until markets have been expanded. However, during the depression, costs of factors of production were low, and plentiful credit was available, yet business did not expand.

Perhaps business does not dare to expand except when orders come in or markets can be anticipated with a high degree of certainty. If Government wants to influence business activities without directly telling business what to do, it must increase the amount of active purchasing power in the hands of consumers. It can do that, for instance, by additional Government expenditures for public works and other developmental projects which put idle resources to useful work, at the same time augmenting wages and purchasing power and creating markets for business. Or the Government can reduce taxes, thus freeing purchasing power and helping to revive markets.

With the recognition of these interrelations, a new weapon was added to the economic arsenal of democracy: fiscal policy. Fiscal policy has been defined as Government expenditures, revenues, borrowing, and debt management, considered with a view toward their impact on the flow of purchasing power. Fiscal policy does affect the general level of economic transactions and job opportunities without interfering with the basic principles of free enterprise, freedom in the choice of a job, and freedom in the choice of consumption. It can be used for deflating a boom and for stimulating a slack market. Thus, it appears that finally, on the basis of more refined economic theory and the depression experience, the long-sought lever of economic policy has been found.

III

The experience of the great depression not only induced the development of fiscal theory, but also served as a first testing ground for the effectiveness of fiscal policy. The statistical record of the depression years made it almost certain that an increase in Government expenditures caused an increase in purchasing power and recovery in business activities. War experience has proved the point beyond doubt. Yet there remained the fact that the same amount of additional Federal expenditures had a different effect on production and employment under various circumstances. Analysis of the record suggests that during certain periods the results of a job-creating fiscal policy of the Federal Government were partly offset by unfavorable effects of other policies, Federal, States, and local. For instance, during the depression, State and local governments adopted sales taxes, which hindered a price decline and reduced consumer purchasing power. These governments also were often forced to reduce their own outlays for public works and other purposes. By the financial exigencies of the depression, they were driven to pursue policies that directly counteracted the efforts of the Federal Government.

The policy of emergency expenditures induced an increase in consumer expenditures in accord with theoretical expectations. However, it brought forth only a relatively small amount of additional business investments.[9] Business apparently felt not sufficiently assured that the Government would continue the recovery policy of sustaining purchasing power—a strong argument in favor of clear statutory sanction of a governmental full-employment policy. Nor was the tax policy of the Federal Government brought into accord with its other fiscal policies. In addition, some measures of wage policy, while fully justified on their own grounds, were not conducive to the recovery of production and increased employment. The price policy of the National Industrial Recovery Administration is another example of inconsistency. It is true that low costs of factors of production were not sufficient to engender profit expectations in view of shrinking markets. It is also true, however, that government-supported markets will induce economic expansion only if business has confidence in sustained profit expectations.

The war experience afforded another test of the effectiveness and limits of fiscal policies. Fiscal policy was included in President Roosevelt's program to combat inflation and insure economic stabilization. If fiscal policy alone had been chosen to do the job, we should have needed much more drastic tax or saving measures than were politically acceptable. Fiscal policy had to be supplemented by a great many other measures, such as price and wage and credit policies. Both the depression and the war taught us the lesson that fiscal policy is a very useful tool, but not a panacea. The task of maintaining high-level production and employment is too big to be accomplished by any single device. Fiscal policy can be effective only when reinforced by many other policies.

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[9] See Gerhard Colm and Fritz Lehmann, "Public Spending and Recovery in the United States," Social Research, vol. 3 (1936), pp. 129 ff.

An example may illustrate the limits of fiscal policy as a governmental tool. Assume that monopolistic organizations exist in an economy, enabling certain businesses to realize extraordinary profits. Assume further that a large part of these profits is neigther distributed as dividends nor used for expansion of industrial facilities, but accumulated in the form of deposits or invested in securities. An accumulation of "idle" funds may introduce into the economy a deflationary trend and cause a slump in employment. In a situation like this, it is possible, of course, to offset the deflationary trend caused by monopolistic profits through additional Government expenditures or tax reduction in order to assure continuing full employment. Such a policy would be possible, but unwise, because it would not remove the basic cause of the deflationary trend. It would be wiser to introduce measures designed to prevent the monopolistic practices or to tax away a portion of profits not put to active use. Such measures may often require time to work out and fail to succeed fully in removing the cause of deflation. Fiscal policy, then, should be used as a prompt but temporary device, to be applied to those situations in which other measures fail to bring about the desired result. It is therefore not enough to identify deflationary trends and use compensatory fiscal measures. In addition, the underlying causes of such deflationary trends must be analyzed and all policies available in the "tool chest" of government must be brought to bear on them.[10]

These additional policies include foreign trade policies, wage policies, price policies, subsidies, Federal grants to State and local governments, education policies, and so forth. All of them are used for specific purposes, often for purposes of particular vested interests. They are powerful tools of policy, but partly ineffective as far as the general level of employment is concerned, because frequently the effects of one type of policy counteract another. Perhaps high-level production and employment can best be secured, not by any further addition to our tool chest of policies, but by a procedure which permits the consistent and sustained use of all available policies in a co-ordinated program. "The most powerful weapon in the economic arsenal of democracy is coordination of a great variety of policy devices."[11]

The proposed "Full Employment Act" reflects the experiences of the depression and the war with respect to economic and fiscal policies. Its forerunner, the so-called Patton bill,[12] placed all emphasis on a provision for increasing Government outlays should private business fail to invest an amount sufficient to keep the economy going at full blast. No reference was made to any policy except Government lending to business, and outright Government spending if private enterprise should be unwilling to borrow for business expansion. Quite contrary to this version, the pending bill, in the form in which it was adopted by the Senate (S. 380), lists a long catalog of Federal policies which should be considered in the President's program of action. The emphasis of the present bill is placed (*a*) on a declaration of policy of full employment, and (*b*) on the establishment of a legislative and administrative procedure for formulating a coordinated program of policies designed to attain full employment. Government expenditure is treated as one instrument of policy to be used if all other policies combined prove inadequate to assure full employment in a specific period. Government expenditure is also regarded as the policy device most adaptable to shortrun fluctuations in business conditions and particularly useful as the most flexible element in the whole program.

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[10] For a survey of the "tool chest" of Government activities, see the exhibit submitted by Budget Director Harold D. Smith with his testimony on the full employment bill before the subcommittee of the Senate Committee on Banking and Currency, hearings, 79th Cong., 1st sess. (Aug. 30, 1945).

[11] Budget Director Harold D. Smith, in his testimony, ibid.

[12] See James G. Patton, "The Federal Government's Role in the Postwar Economy," in this Review, vol. 38 (1944), pp. 1127 ff.

The present bill provides only for the use of policies which are authorized by existing statutes or which Congress may authorize by future legislation. It proposes a legislative and administrative mechanism designed to achieve coordination and timely application of whatever policies Congress has adopted. Only the use of these policies in coordinated and well-timed fashion could accomplish the job. Confidence in the Government's determination is the most essential prerequisite for the success of a policy of full employment because assurance of job opportunities, by the same token, means assurance of markets conducive to business expansion.

IV

Even the most perfect policy devices can be used effectively only when the program they are to serve is formulated on the basis of an accurate diagnosis of business conditions. One of the most interesting features of the "Full Employment Act" before Congress is the provision for a "production and employment budget" (national budget). In the version adopted by the Senate, the bill requires the President to transmit to Congress annually, with quarterly revisions, two kinds of estimates: (1) for the ensuing year or longer periods, estimates of the employment opportunities needed for full employment, the production of goods and services at full employment, and the volume of investment and expenditure needed for the purchase of such goods and services; and (2) estimates of "current and foreseeable" trends in the number of employment opportunities, the production of goods and services, and the volume of investment and expenditures for the purchase of goods and services, not taking into account the effects of the general program of policies that is to be recommended in the same message.[13]

In the event that the projected national income is estimated to be below the national income necessary for full employment in the ensuing period, the President is required to recommend a program of policies designed to lift the national income to the full-employment level. If the projected income exceeds the income necessary for full employment, an inflationary tendency is indicated and the President should recommend measures designed to curb the inflationary trend.

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[13] It is not intended to review here all statistical requirements of the bill in detail. The discussion is limited to the essentials.

This is a very neat and logical prescription of a scientific basis for policy formulation. Are we at present technically equipped to supply these estimates with a reasonable degree of accuracy? What technical arrangements are necessary to secure such estimates?

V

The estimate of the labor force should not cause great difficulties on the basis of current statistics. The factual data are supplemented by surveys of employment intentions. There are special difficulties in the period of transition—when millions of workers pulled into the labor force during the war must decide whether to withdraw from it or to seek continuing employment, and when millions of veterans must make up their minds whether to turn to civilian employment or to avail themselves of the educational facilities offered them. Under peacetime conditions, the estimate of the labor force for the ensuing year will be less problematical.

The estimate of the national income required for full employment and production implies an estimate of the average productivity per worker. This may raise considerable difficulties if the estimate is intended to cover a period far into the future. For the ensuing year, a reasonable approximation should be much easier because productivity does not change very suddenly from year to year. When there is considerable unemployment at the time the estimate is made, it cannot be assumed that the unemployed, if employed, would produce the same as the average of all workers. But this difficulty can also be overcome on the basis of reasonable assumptions about possible ways in which the unemployed might be reemployed.

More serious problems arise when a projection of national income and production and a quantitative appraisal of proposed policies are to be made. The past record of business forecasting is not too encouraging. More cases of dismal failure than of successful prediction can be cited. Strictly speaking, the pending "Full Employment Act" does not imply prediction of business conditions, but "projections"—that is, hypothetical predictions based on the assumption that no new policies of full employment or economic stabilization are adopted by the Federal Government. Thus the bill avoids the need to guess what policies Congress will enact.[14] More important however, is that the fact that most business forecasts of the past, particularly of the twenties, were based on the so-called business barometers. These business barometers, in turn, rested on very shaky statistics and theories. Recent developments in the theory of economic dynamics and a spectacular improvement in statistical methods and sources have greatly increased the possibilities of economic projections. The growth of scientific sample surveys should be particularly mentioned.

This is not the place for a detailed description of the methods of economic projection that may be used under the "Full Employment Act," and that, as a matter of fact, are already in use by many business and government economists. I shall only describe briefly the main principles on what the possibility of economic projections rests.[15] It is most important that actual estimates of the so-called national budget should be available covering the most recent past, if possible up to the time when the projection is to be made.[16] It is much easier to project economic trends by estimating changes from the most recent past than by estimating directly the absolute totals for a future period.

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[14] The often-mentioned inaccuracy of the forecasts of Federal expenditures in the official budgets can largely be explained by the fact that these estimates usually did not take account of legislation subsequently adopted by Congress. Critics overlook the fact that these were hypothetical projections rather than predictions.

Changes from the base period may be divided into primary and secondary. Going down the line, item by item, the estimator asks himself what changes in economic transactions he has reason to expect. Assume, for purposes of illustration, that we are in a postwar restocking period, say in 1948, with conditions of high employment, and now have to make a projection for 1949. First, there are the expenditures of the Federal Government. They are expected to decline—disregarding in the projection all new programs which may be enacted on the basis of the President's recommendations—because certain demobilization expenditures are winding up. Business investments have been running high, and the ratio of capital in plant and equipment to current sales indicates that a turning point in business investment may be near. The sample survey of contemplated investments in plant and equipment confirms that some of the investments, deferred during the war period, have now been completed, and that businessmen expect a decline in their new investment. Housing, however, is still rising. Statistics of permits for residential construction show an upturn. A continuing increase in residential building is therefore expected. Also, the deferred demand for automobiles and for durable household equipment has not yet been satisfied; the demand for television sets and other new devices is still going strong. All such impending changes are estimated with the help of available surveys, and quantitatively appraised with the expert advice of the industries concerned. These are examples of the estimate of primary changes,[17] i.e., of changes which are expected to take place under the assumption that general business conditions remain the same in the ensuing year. They are changes that result from the past rather than in response to presently occurring events.

When the expected primary changes have been added up, it is possible to compute their direct impact on the national income as a whole. Assume that the primary changes—expected increases and decreases—were estimated to result in a net reduction of $10 billion. Taking into account such factors as taxes and undistributed business profits, one can estimate the resulting change in incomes disposable for consumption and savings by individuals. From the change in disposable income, an estimated change in consumption can be calculated on the basis of past experience.[18] In a similar way, inventory accumulations, import requirements, and many other factors respond rather promptly to changes in general business conditions. These are examples of secondary[19] changes that must be taken into account before a final projection for the ensuing year can be made.

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[15] In a British white paper on "Analysis of the Sources of War Finance and Estimates of the National Income and Expenditures in the Years 1938 to 1944" (Cmd. 6623, London, 1945), it is said: "* * * the problems of maintaining employment is very largely the problem of maintaining total expenditure, public and private, and in an economy where this is accepted as one of the prime aims of government policy it becomes peculiarly important to have not only statistics adequate to measure that expenditure, but a method of bringing them together and classifying them which makes possible the necessary comparisons with the immediate past and with the present position in other countries" (p. 2). See also Gerhard Colm, "From Estimates of National Income to Projections of the Nation's Budget," Social Research, vol. 12 (1945), pp. 350 ff.

[16] It is quite significant that the President's budget for the fiscal year 1946, submitted to Congress early in January 1945, included estimates of the Nation's budget for the calendar year 1944, and that the 1946 budget review, issued by the Budget Director Aug. 2, 1945, presented the Nation's budget for the fiscal year ending June 30, 1945. The last quarter in each of these estimates has, of course, more the character of a forecast than of an estimate based on actual statistics. In the past, estimates of national income were available only several years after the end of the period.

[17] In the literature, the primary changes are often called "autonomous" changes. They are "autonomous" only with respect to the time period in which they occur; they are often determined by economic conditions of the past.

Projections therefore require (*a*) the most up-to-date actual data of national income and production and their component parts; (*b*) an appraisal of imminent trends, especially in Government expenditures, business investments, and consumer attitudes; (*c*) a knowledge of the responses of business and consumers to changes in economic conditions on the basis of the record of the past; and (*d*), most of all, the exercise of good commonsense in combining all the pieces of information and expert advice into a consistent pattern. Great improvements have been made in statistical sources and methods of investigation. Yet we are at the beginning rather than at the end of this development. Particularly, the surveys of business and consumer attitudes and intentions are still in the experimental stage. The determining factors of business investment—the role of market analysis and price-cost relationships—are not yet fully explored. More recent data of consumer expenditures and savings by income brackets are also needed.

When it comes to appraising the quantitative effects of recommended policies, still other statistical problems will arise. A technical tool for the appraisal of various policy recommendations is the economic "model." The model is even more hypothetical than the projection. The projection is based on the assumption that the Government does not adopt any new policy recommendations; the model is based on the assumption that such policies are adopted as are necessary to achieve full employment. As there are always several ways for accomplishing this policy end, several models can be constructed; comparison of these various models serves the study of alternative policy programs.[20] With the aid of alternative models, feasibility and costs of various policies or combination of policies may be analyzed. Projections and models of national budgets must supplement each other as tools for policy determination. Projections help to determine the need for Government action; alternative models help in appraising proposed policies that will meet that need.

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[18] Relationships obtained from past experience are not used mechanically. It is probable, for instance, that consumers may react differently to a reduction in income when they have considerable wartime savings than when they have fewer savings as a reserve to draw upon. For a realistic appraisal of this fact, more knowledge of the distribution of wartime savings is needed than we now have.

[19] The secondary changes include the impact of increased or decreased primary changes on consumption—the so-called multiplier effect; the impact of changes in markets on business investments—the so-called leverage effect; and other "induced" transactions such as changes in inventories in response to changes in business conditions.

[20] For an example of model construction, see National Planning Association, "National Budgets for Full Employment" (Washington, 1945).

VI

Perfection of the art of projecting economic conditions and of appraising proposed policies in quantitative form to the extent visualized by the authors of the Full Employment Act would be a great step toward providing a scientific basis for policy formulation. Of course, the main objectives of the bill can be pursued even before statistical sources have been sufficiently improved. If a downturn in employment becomes noticeable, for instance, measures could be proposed that tend to offset a decline, though the magnitude of the decline and the effects of the countermeasures cannot yet be determined in exact quantitative terms. However, even after our statistical sources and methods have been extensively refined, policy formulation still would remain subject to political controversy and always will remain so.

Assume at a certain time, given the generally accepted objective of full employment, the figures prove that purchasing power should be increased or curbed, as the case may be. There will then still be a variety of ways in which this could be done. Pressure groups and local interests would still fight for the increase or curtailment of purchasing power by a method most beneficial to the people they represent. The proponent of a special measure would not only have to defend his recommendation on its own merits, but also consider how it affects production and employment of the Nation as a whole. The procedure incorporated into the Full Employment Act would not surrender political decisions to the economists and statisticians. However, the bill would provide a more orderly way of appraising political controversies in the light of the general welfare. All the data needed for the decision of controversial issues would have to be submitted for public criticism and debate.

The procedure under the bill is similar in character to the appropriation procedure set up under the Budget and Accounting Act of 1921. That act did not determine the amount of appropriations for aid to agriculture or for salaries of Federal employees, for instance. It only prescribed that whatever amounts the President should propose to spend under congressional authorization should be included in the budget estimates, so that Congress might fully consider the financial implications of its actions. High-level production and employment will certainly not be the only objective of Government policy. It would be very desirable, however, if each policy proposal—such as a change in the minimum wage rates, or in tax legislation, or in the tariff, or in agricultural subsidies—should also have to be analyzed in terms of its impact on the so-called national budget. All policies would therefore be considered in terms of both their intrinsic merits and their social costs.

The Budget and Accounting Act intended to establish a system of financial accounting; the approach to be used in the Nation's budget for the appraisal of policy recommendations would establish a system of social accounting. Far from undermining free institutions, such a development would add to the effectiveness of democratic discussion and democratic determination of economic policies.

III. Organizing Government Staff Services for Full Employment

(BY JOHN J. CORSON, DIRECTOR OF RESEARCH, THE WASHINGTON POST)

I

Since the time of Adam Smith, we have more or less passively accepted the type of economy which tossed us from boom to depression and back again. The adoption by Congress of current proposals for "full employment" legislation would constitute a substantial divergence from this passive course. The representatives of the American people would declare, essentially, that they propose to do whatever is necessary to make the national economy provide employment for all men and women who wish to work. Acceptance of this policy implies simultaneous acceptance of the responsibility for devising plans for influencing the economy and creating governmental machinery for carrying them out. Hence, our purpose here is twofold: first, to suggest the tasks to be performed by the Federal Government in maintaining full employment; and second, to raise the foreseeable questions about the organizational arrangements within the Federal Government that may be required to accomplish this end. At the present stage in the evolution of the role of Government in the maintenance of full employment, much that will be said must necessarily be speculative.

But political scientists have as much right—and obligation—to speculate as do economists. The economists have speculated effectively as to the pleasant state of affairs that will obtain when there are jobs for all who want to work. They have speculated fruitfully as to ways of achieving full employment. It is high time, now, that the political scientists contribute the results of their own speculation. What, for example, are to be the responsibilities of Government in the "full employment age"? How will Government discharge these responsibilities? How will the Federal Government formulate an annual employment and production budget and the complex integrated network of national policies essential to the achievement of full employment? The political scientists may also be expected to consider how the collaboration between the Federal, State, and local governments and each sector of private enterprise essential to this objective will be obtained. They, too, are obligated to evolve a prescription for the planned, harmonious administration of these integrated policies by a considerable number of agencies of the Federal Government. When they essay such speculation, they will conclude that the Full Employment Act focuses attention on the need for effective governmental staff services as no previous legislation has done.

At least six separate tasks for the Federal Government are involved in the attainment and maintenance of full employment. They are: (1) formulation annually of forecasts as to whether there will be sufficient expenditure by consumers, business, and Government to provide full employment throughout the country; (2) recommendation by the executive branch of action necessary for the assurance of continuing full employment; (3) formation by the legislative branch of national policies contributing to the maintenance of full employment in the fields of taxation, fiscal affairs, agriculture, social security, industrial relations, wages, the development of natural resources, the maintenance of foreign trade, and public works and construction; (4) encouragement of the expansion and growth of private enterprise; (5) control of the direction of demand for labor, with a view to maximizing employment; and (6) organization of the labor market in order to minimize the persistence of unemployment in decadent centers and to maximize employment by effectively bringing idle workers and jobs together.

The performance of each of these tasks is as essential to the achievement of full employment as its legislative acceptance in terms of national policy. Let us, therefore, consider the nature of each task and the assignment of each responsibility to agencies within the legislative or executive branch.

II

An annual appraisal of the national economy is required to indicate what effort or programs will be needed for reaching or maintaining full employment.[22] This will be accomplished by estimating: (1) the size of the labor force that will be employed or seeking employment in the succeeding year; (2) the productivity of labor in terms of the expected price level; (3) with the results of (1) and (2), and with allowance for the probable pay of the Armed Forces, the gross national product or aggregate expenditures that will induce full employment; and (4) the probable aggregate expenditures of Government, business, and consumers during the succeeding year, before taking into account the effect of any employment-creating efforts by the Government. Finally, the fifth step consists in a comparison of the full-employment level of aggregate expenditures (3) with the prospective aggregate expenditures (4). If the latter total is less than the former—i.e., if (4) is less than (3)—then Government policies must be adopted which will increase (4) to the level of (3).[23]

Statistics are available which permit adequate estimates of past and prospective expenditures of business and of State and local governments. There are, too, statistics upon which can be based estimates of past expenditures by consumers. These data are collected regularly by the Bureau of Labor Statistics, the Department of Agriculture, the Social Security Board, the Bureau of the Census, the Bureau of Internal Revenue, the Federal Reserve System, the Bureau of Foreign and Domestic Commerce, and State tax commissions. There is a grievous lack, however, of reliable statistical data from which consumer expenditures can be projected in relation to various assumptions as to national income levels. This information could be built up; it is not now available.

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[22] Specifically, the Full Employment Act of 1945, as revised after hearings before the Senate Committee on Banking and Currency, required in sec. 3(a): "The President shall transmit to Congress at the beginning of each regular session the National Production and Employment Budget (hereinafter referred to as the National Budget), which shall set forth: (1) for the ensuing fiscal year, and such longer period as the President may deem appropriate, an estimate of the number of employment opportunities needed for full employment, the production of goods and services at full employment, and the volume of investment and expenditure needed for the purchase of such goods and services; (2) current and foreseeable trends in the number of employment opportunities, the production of goods and services, and the volume of investment and expenditures for the purchase of goods and services, not taking into account the effects of the general program provided for in paragraph 3 hereof; and (3) a general program, pursuant to section 2, for assuring continuing full employment, together with such recommendations for legislation as he may deem necessary or desirable. Such program shall include whatever measures he may deem necessary to prevent inflationary or deflationary dislocations or monopolistic practices from interfering with the assurance of continuing full employment."

[23] This summary statement of the type of appraisal required is based upon "The Problem of Estimating Future Expenditures by Consumers, Business, and State and Local Governments," a memorandum submitted by Harold D. Smith, Director of the Budget, in connection with his statement on the full employment bill (S. 380) before the Senate Committee on Banking and Currency, Aug. 30, 1945.

From such data, Federal departments and private agencies like the National Bureau of Economic Research and the National Industrial Conference Board have developed estimates of the national income and the national product. But each of the data-collecting agencies of the Federal Government, and each of the others that have used the data, has been primarily concerned with its respective segment of the national economy. No agency has regularly assembled data for the purpose of appraising the prospective number of job opportunities.[23]

The question, hence, arises: Where should this function be performed? The proposed Full Employment Act assigned it to the President. But which department or agency should perform for the President the technical task of formulating annually a forecast of the economy and the employment opportunities it will yield? At least seven agencies assemble or analyze some of the requisite basic data. They include (1) the Department of Agriculture, whose farflung activities in production, prices, marketing, and natural resources affect many parts of the economy; (2) the Department of Commerce, which has access to available information as to probable employment, investment, and production by private enterprise, conducts a monthly sample census of employment and unemployment, and should be able to advise as to the steps the Government should take to stimulate private investment; (3) the Department of Labor, whose estimates of current employment and of jobseekers will contribute to the formulation of estimates of prospective employment opportunities; (4) the Treasury Department, whose information as to the impact of Federal fiscal policies on the national economy is essential to the formulation of an employment-maintaining program; (5) the Federal Security Agency, which in its administration of the social insurances develops benchmark data as to employment and earnings; (6) the Bureau of the Budget, which now prepares the Federal fiscal budget, is equipped to review the budgets and programs of the various departments and agencies, and is responsible for assisting the President in "the formulation of the fiscal program of the Government";[24] and (7) the temporary Office of War Mobilization and Reconversion, which now serves as aid to the President in formulating postwar economic policies.

Whatever agency is assigned the comprehensive technical task of collating these data and formulating for the President a forecast of employment opportunities is necessarily exercising the role of top coordination. For this role, the Bureau of the Budget is the logical choice. The present machinery of the Bureau enables it to perform such a task. Its Fiscal Division offers "the nucleus of a planning staff" [25] which can readily assume the responsibility for compiling and appraising the necessary data. And the Bureau of the Budget has emerged during the past 8 years from a narrow concern with Federal expenditures to a role described as "the embodiment of the Presidency" [26] in the administration of the Federal Government.

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[23] Indeed, critics of the full employment bill declare the preparation of such estimates impossible; e.g., E. P. Schmidt, "Can Government Guarantee Full Employment?" Postwar Readjustments, Bulletin No. 13 (Washington, 1945), p. 24. This same viewpoint is expressed in an editorial in the Philadelphia Inquirer, Aug. 22, 1945, p. 16, which states in part: "Only last May the War Manpower Commission's unemployment forecast for Aug. 1 overshot the mark by 30 percent. Yet the 'full employment, full Government spending bill' now before a Senate committee, would require the President to estimate the number of available jobs as far as 18 months ahead."

[24] The responsibility for assisting the President in "the formulation of the fiscal program of the Government" is specifically assigned to the Bureau of the Budget by Executive Order No. 8248 of Sept. 8, 1939. This differs somewhat from popular assumptions as to the responsibility of the Treasury Department.

Assignment of this task to the Bureau of the Budget is not to brush aside the charge of institutional headlessness repeatedly made against the Federal Government. The Bureau of the Budget is the substance of what top coordinating staff there is available to the President. Under the direction of Harold D. Smith, the Bureau has grown in stature to meet the responsibilities which the absence of a real "general economic staff" for the President has placed upon it. It is adequate to undertake the technical task of devising the "national employment and production budget."

The national employment budget is to forecast the prospect for employment opportunities. Next, the President is to recommend a general program for insuring continuing full employment. Thus speculation turns upon the question: Which unit should collate the proposals of all departments and agencies and formulate the recommendations of the executive branch?

III

This task is immense. Acceptance of the commitment of full employment pledges the Federal Government to undertake whatever steps are required to maintain job opportunities for all men and women willing and able to work. The steps to be taken may include recommendations for legislation affecting taxation, social security, wages, and working conditions, monopoly and competition, banking and currency, foreign trade and investment, control of industrial development, public works, or the organization of the labor market. Obviously, the formulation of such recommendations involves most executive agencies.

Action would logically be proposed in the first instance by the particular department or agency most directly concerned; e.g., recommendations about wages and working conditions by the Labor Department, recommendations about taxes by the Treasury Department. Then the separate proposals could be coordinated by the President's Cabinet. Such consideration might take place under the Truman administration; it would not have been likely under the Roosevelt administration. In practice, the nearest approach that is made to consistent development of integrated recommendations for the President and his administration is undertaken by the Bureau of the Budget. Departments and agencies of the executive branch are now required to submit to that Bureau for review not only their annual budgets but all proposals intended for consideration by Congress.[27] This review aims to insure that legislation is not proposed by Government agencies which is not "in accord with the President's program," or which gives rise to unnecessary differences between departments. The review is more often than not a negative function exercised as a means of preventing program conflicts and embarrassment to the President and his administration.

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[25] Arthur W. Macmahon, "The Future Organizational Pattern of the Executive Branch," in this Review, vol. 38 (1944), p. 1183.

[26] Loc. cit. in note 5, p. 1182.

[27] For a description of this activity of the Bureau of the Budget, see F. Morstein Marx, "The Bureau of the Budget: Its Evolution and Present Role," II, in this Review, vol. 39 (1945), pp. 880 ff.

But is not the task of directing all Government efforts to the end of achieving full employment a positive rather than a negative function? And does not analysis of the task again spotlight the absence within the Federal Government of a "general economic staff" to aid the President in coordinating national policies?

There are three alternative devices by which this staff service might be provided. The first is the creation of a "Special Commission on Full Employment" to formulate the legislative proposals for the President. Such a Commission might be composed of representatives of business, labor, agriculture, State and local governments, as well as of Federal agencies primarily concerned. Its sole function would be to review the national employment and production budget, developed by the Bureau of the Budget, and formulate legislative proposals for the President's consideration.[28] A second alternative would be the assignment of this additional responsibility to the Bureau of the Budget. Because of the absence of other top coordinating units within the Federal Government, the Bureau has already assumed similar policy-coordinating functions. Its Fiscal Division, as pointed out above, is equipped to undertake some portions of this task, and would be intimately familiar with the data assembled in the national budget upon which recommendations would be based. The third alternative is the establishment, in the Executive Office of the President, of an agency responsible for general economic and administrative planning. The nearest approach to such an agency at this time is the temporary Office of War Mobilization and Reconversion.

Earlier, the Employment Stabilization Board created in 1931 had been charged with some responsibility for reviewing, and advising the President with respect to, maintenance of employment. The National Resources Planning Board superseded this agency. Its activities encompassed the planning of Federal activities wherever they affect the national economy. When Congress cut short its life, it eliminated the only agency of the Federal Government approximating the role of a "general economic staff." Now that function is divided, to the extent that it is performed, between the Bureau of the Budget and the Office of War Mobilization and Reconversion.

Much might be said about the relative merits of the three alternatives.[29] I prefer the creation of a "commission on full employment." Upon initiation of a national policy of full employment, such a commission offers a greater prospect for the reconciliation of contrasting interests. It would bring together representatives of private enterprise and government, Federal, State, and local. Its recommendations might receive more respectful attention by both Congress and the

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[28] For further description of such a proposal, see "Summary of Testimony of Paul G. Hoffman before the Senate Banking and Currency Committee, Aug. 30, 1945, p. 9.

[29] Much has already been written about the functions of the President's Executive Office and its organization. Most of this is pertinent to the determination of how the President shall be assisted in formulating a program for full employment. For example, see Arthur N. Holcombe, "Over-All Financial Planning Through the Bureau of the Budget," Public Administration Review, vol. 1 (1941), pp. 225 ff. See also the group of papers making up a symposium on "The Executive Office of the President" by Louis Brownlow, Harold D. Smith, Charles E. Merriam, William H. McReynolds, Lowell Mellett, and Luther Gulick, ibid., vol. 1 (1941), pp. 101 ff.

Federal departments than the findings of any executive agency. It would be aided by all present staff agencies of the executive branch. After the policy of full employment has been accepted more widely and its administration established, the function of the commission might be assumed by a permanent planning agency within the Executive Office of the President. This permanent agency might logically develop from the secretariat of the commission. It could be expanded to serve as a "general economic staff" to the President, dealing with many matters other than the maintenance of full employment.

IV

After the President has recommended to Congress the policies formulated by his special staff agency—a commission equipped with a secretariat aided by the staff services now within the Federal Government—a like question arises in the legislative branch. What legislative group will consider the President's recommendations? They may deal with changes in existing legislation of various kinds—taxes, foreign trade, social security, agriculture, or appropriations. Today, Congress is organized in a number of long established (and jealous) committees. Each is responsible for particular areas of national policy. How, then, should Congress deal with a set of recommendations requiring a horizontal appraisal of existing policy in the light of the single objective of full employment?

An earlier draft of the "Full Employment Act" proposed the creation of a joint committee to consider both the annual national budget and the recommendations presented by the President. The committee was to be composed of the chairmen of all of the major committees of the Senate and the House and additional members from either chamber. This arrangement, however, was subsequently changed to provide for a joint committee of 15 Members of the Senate and 15 Members of the House, without regard to their committee membership.[30]

The new provision creates machinery for the annual reorientation of legislative policies affecting the attainment of full employment. There are relatively few analogs which permit a consideration of its probable effectiveness. Yet a staff organization is provided for. A joint committee made up of representatives of the major congressional committees responsible for legislation might offer greater prospects of real legislative coordination. But the chairmen of these committees are among the busiest legislators with the least time for an assignment of such magnitude. Hence the proposal of a joint committee of Members of both Chambers offers a reasonable prospect that it can bring about such modification of national fiscal, agricultural, labor, and other policies as will be necessary to attain full employment.

V

If all national policies are reoriented so that they stimulate employment by creating non-Federal investment and expenditure, the next task of encouraging the expansion of private enterprisse will be substantially accomplished. There are numerous continuing activities of the Federal Government which aid private enterprise. For example, the Department of Commerce describes itself as "the service agency for business in Government." In illustrating this role, it refers to (1) the volume of information bearing on management problems in production, sales, accounting, and finance which it makes available to business; (2) the statistical facts developed by its Bureau of the Census to aid business in framing production and marketing plans; and (3) the technical and scientific research of its Bureau of Standards. The Department of Agriculture performs similar activities for farmers and the production, distribution, and marketing of crops.

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[30] See sec. 5 of S. 380 as reported to the Senate by its Committee on Banking and Currency, Sept. 22, 1945.

In the same way, the Securities and Exchange Commission, the Smaller War Plants Corporation, the Reconstruction Finance Corporation, the Maritime Commission, and the National Housing Agency assemble and disseminate basic factual information, administer subsidies, or lend capital to aid private business. The Department of Justice and the Federal Trade Commission stimulate private employment by their efforts to eliminate monopolistic practices. Other governmental activities might be listed. These examples illustrate the type of activity which has even greater utility if government has the positive objective of achieving full employment. When this objective is adopted, the task here suggested is the stocktaking of these activities and their redesign, where necessary, to attain the new objective.

Of particular importance among governmental activities encouraging private enterprise are those stabilizing the construction industry.[31] This industry has been a major factor in providing employment. Available estimates indicate that the construction industry must be stabilized at an annual level of approximately $15 billion if it is to provide the volume of jobs essential to full employment. All governmental activities which create a climate encouraging private enterprise will also stimulate the construction industry. In addition, however, it will be necessary to maintain continually a sympathetic and positive lending policy. The private construction of housing will be facilitated by a thorough reconsideration of local real estate tax and zoning policies and by whatever steps may serve to reduce the labor-cost factor in construction.

After all these steps are taken, there will remain a necessity for public works. We have a continuing need for schools, hospitals, roads, bridges, sewers, and the variety of facilities essential to the functioning of an industrial civilization. The Federal Government must integrate the efforts of local, State, and Federal agencies into an orderly program, at least in point of timing, if the construction industry is to be stabilized. Such integration would insure that the separate efforts of the three levels of government do not produce a volume of construction that is unsustainable over a long period. Another responsibility of the Federal Government is the advance planning and timing of the construction work of all of its own agencies. These include the Federal Works Agency with its Bureau of Public Roads, the Tennessee Valley Authority, and others. A third responsibility is the planning of a positive program of resources development. It would be undertaken by such agencies as the Power Division of the Department of the Interior, the Federal Works Agency, the Army Engineers, and the Tennessee Valley Authority. In times of lessened private construction, their activities would provide compensatory public works.

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[31] See 7th report of the House Special Committee on Postwar Economic Policy and Planning, "Postwar Public Works and Construction" (1945).

VI

Sir William Beveridge has prescribed two additional tasks for the British Government if it is to attain full employment.[32] The first is to control the location of industry. Such control, he indicates, would "deal with the * * * evils of congestion, overcrowding, ill health, and bad housing"—in addition to eliminating that unemployment which results from the misdirection of demand for labor. For this purpose he would create a Ministry of National Development authorized to direct the location of new industries to areas where unemployment prevails and to prevent their location in sections where there is no surplus of labor. "It is better, and less of an interference with individual lives," Sir William wrote, "to control businessmen in the location of their enterprises than to leave them uncontrolled and require workpeople to move their homes for the sake of employment." [33]

American students of the problem generally agree that such governmental intervention is not necessary here. The United States, they reason, is a less mature country, with large opportunities for expansion and development. Hence, there is not the same necessity for directing the growth of private enterprise. The scope and variety of such opportunities was described in the National Resources Development Report for 1943.[34] The report lists public-works projects for seven major purposes, including flood control, irrigation and reclamation, rivers and harbors development, the construction of dams and powerplants, and the building of roads, airports, and airways. This list convincingly demonstrates the wide range in the development of national resources in this country. Through such public works a better balanced physical development of the national economy and more stable employment could be fostered.

Yet there are some urban centers like New York and Detroit, and some sections such as the coal mining areas, that have been characterized by chronic unemployment. The local persistence of such unemployment indicates the need for diversified industry. It also necessitates qualification of the belief that no action is required to prevent unemployment resulting from the misdirection of demand. The cure may be suggested on the one hand by the TVA and such current proposals as the creation of a "Missouri Valley Authority," and on the other by the legislation designed to stimulate the expansion of industry and the setting up of small business by veterans and others in the underdeveloped regions.[35] These proposals would substitute the positive development of deficient areas and undeveloped resources for governmental direction of industrial growth.

Acceptance of such a course implies that our natural resources must be developed according to some considered plan. This plan would simultaneously tend to maintain full employment. However, the

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[32] "Full Employment in a Free Society" (New York, 1944), p. 32 and pp. 166 ff.

[33] Ibid., p. 32.

[34] House of Representatives, Doc. No. 128, pt. 2, 78th Cong., 1st sess.

[35] For example, see H.R. 4068, a bill to provide for aid in industrialization of underdeveloped areas and for other purposes.

Federal Government has no staff agency currently authorized or equipped to develop a plan for resources development. Fourteen years ago, in 1931, the Federal Employment Stabilization Board was created to coordinate a succession of 6-year plans for public works to aid in the prevention of unemployment.[36] The National Resources Planning Board inherited its functions on July 1, 1939. Congress, however, subsequently concluded that there was no need for this Board, at least as then constituted. The abolition of the Board in 1943 could imply that such planning will be done by the legislative branch itself. Yet the implication cannot be confirmed by a review of later congressional actions. In short, there is not now any agency of Government which would plan and influence the planning of public works with a view both to achieving a balanced physical development and the maintenance of full employment.

VII

The second additional task prescribed by Sir William Beveridge is the mobilization of labor. By this he means "that if and when change is necessary, men and women shall be willing to change their occupations and their places of work, rather than cling to idleness." He suggests that to organize the mobility of labor it may be necessary to require employers to fill all jobs through use of the British employment exchanges. At least, he adds, the use of the employment exchanges should be compulsory in respect to all persons under 18, "so that the flow of adaptable youth into industries may be wisely directed."

Sir William's proposal must be viewed against the backdrop of a highly organized labor market in wartime Great Britain. The British adopted national service legislation at the very beginning of the war. From that time on, the entire labor force was carefully and thoroughly mobilized through the employment exchanges. In contrast, when faced with the exigencies of war, the American people, though making many unprecedented adaptations of their way of life, were never willing to enact similar legislation. The Federal Government, through indirect means and without legislative sanction, effectively organized the labor market. It is doubtful whether the administration of national service legislation would have abridged the freedom of individual workers to a greater degree than by "voluntary" methods. Yet the public psychology persistently and resolutely refused to accept the concept of national service. It is therefore extremely improbable that the American people, relieved of the urgencies of war, will now accept for other ends the compulsory organization of the labor market which Sir William recommends for his country.

What then are the alternative solutions for the basic problem of bringing idle workers and unfilled jobs together as industries rise and decline within the national economy? Indeed, what is meant by full employment? The continual employment of at least 95 to 97 percent of the total labor force? Limitation of total unemployment to a maximum of 2,500,000 to 3 million will require the reduction of (1) reserves of labor maintained by seasonal industries and industries customarily served by casual labor; (2) "pockets of unemployment" in decadent urban centers and industrial areas beset by technological obsolescene; and (3) the number of unemployed marginal workers—the physically handicapped, overage, unskilled, and mentally limited workers. Keeping these groups to a minimum of 3 million will require far more effective governmental administration of the facilities which serve to bring workers and jobs together than has been attained in the past.

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[36] See "History of the Employment Stabilization Act of 1931," a report to the Senate Committee on Banking and Currency, July 30, 1945, 79th Cong., 1st sess., Committee Print No. 3.

The U.S. Employment Service is now but a shell of the type of organization required to perform the Government's task to maintain full employment. It has, at the most, ineffective influence over the placement of agricultural and railroad workers. The placement of veterans is now dealt with as a separate activity unrelated to the balance of the total labor force. Leadership in labor placement is handicapped by persisting strife between the Federal Government and the States. Yet through the Employment Service these functions must be dicharged in the interest of full employment: (1) continual dissemination of full and current information as to the availability of job opportunities by area and by industry and the relation of these data to equally accurate and full data on the supply of labor; (2) further development of occupational information and personnel techniques to facilitate the hiring and placement of individual workers to their best advantage; and (3) assisting physically handicapped, overage, unskilled, and other marginal workers to get into jobs through the provision of vocational guidance, training opportunities, job information, and job analyses which facilitate the use of such workers by employers. The effective performance of these functions alone would not suffice to keep the number of unemployed to a minimum. But without the resourceful administration of each function the approximation of full employment is practically impossible.

VIII

No more than speculation is now possible about the administrative tasks essential to the attainment of full employment. Discussion of the objective has not gone far enough to determine how full employment we really seek and what means we, as a people, are willing to use to secure jobs for all. But even speculation about the nature of the administrative tasks and the governmental machinery required for their performance invites two major conclusions. The first is that the achievement of full employment will necessitate the extension of positive governmental action in several fields—particularly in the field of planning for the national economy. The second is that the Federal Government thus far lacks an organizational unit capable of mobilizing all Government resources and efforts to the achievement of an accepted end. The adoption of a policy of full employment requires the integration of all national policies and governmental efforts. This requirement spotlights the urgent need for more effective organization of our Federal Government to cope with a complex, interdependent national economy.

IV. Private Enterprise and Full Employment

(BY RALPH E. FLANDERS, PRESIDENT, FEDERAL RESERVE BANK OF BOSTON)

I

In this country, we are in general agreement that high-level production and employment should be sought for in the framework of a private enterprise economy. This is specifically acknowledged in the "Full Employment Act" now before Congress, which said in its earliest version under sec. 2(a):

> It is the policy of the United States to foster free competitive enterprise and the investment of private capital in trade and commerce and in the development of the natural resources of the United States.

Declarations to a similar effect are to be found in other parts of the bill.

At the present writing, the bill is not yet law, and in what form it may emerge for final vote, if it does emerge, is not clear. There will doubtless be a considerable number of changes, some of them important, but it is not probable that major dependence will be asserted on anything expect private enterprise. This position is not merely that reflected in the pending legislation. It accords also with the belief and practice of an overwhelming majority of the people of the country, as is evidenced by political action and by popular polls. Thus we face no practical necessity for defending private enterprise as compared with other forms of economic and political organization.

What composes this "private enterprise" on which the American people place the major responsibility for a high level of production and employment? Private enterprise includes manufacturing, but the responsibility does not lie with manufacturing alone. This is obvious, but it seems necessary to state it, in view of the fact that many seem tacitly to assume that the major responsibility falls to manufacturers. At the beginning of 1941, manufacturing occupied only about one-fourth of the total number of those gainfully employed. At the peak of our wartime production, with many nonessential service industries shut down, the percentage engaged in manufacturing was still only about 30 percent. The best estimates for high-level postwar employment do not depart far from these figures.

To give a clearer picture of the prewar distribution in the various employment categories, and also of an estimated postwar distribution, the following table will be useful:

	1940 (percent)	194- (postwar) (percent)
Agriculture	20.7	18.4
Government	3.1	8.6
Manufacturing	23.3	25.1
Commerce	52.9	47.9
Total	100.0	100.0

For purposes of this table, "Agriculture" includes forestry, fishing, and mining; "Government" includes Federal, State, and local; "Manufacturing" is defined as in the census; "Commerce" includes all the categories of trade, construction, transportation, utilities, finance, and services. The postwar figures are, of course, simply estimates, made by competent statisticians, not by inspired prophets. Various such estimates have been made, the ones used here being those arrived at by Mr. C. A. Sienkiewicz, of the Philadelphia Federal Reserve Bank.

The decrease in agriculture is presumably predicated on the expected expansion in the use of recently developed farm machinery which will carry mechanized farming into smaller farm units than has been the case in the past. It should, therefore, be logically expected that our wartime experience of higher farm production with fewer men working on farms will be continued into the future as a result of mechanization. In any event, it is desirable and possible that the farm population should show a percentage decrease, particularly in the raising of food products, since the increased standard of living we are looking for in the postwar world will tend to find expression in the volume of nonagricultural goods and services rather than in any great increase in foodstuffs consumed. Such effect as the higher standard may have on foodstuffs will be in the direction of a larger percentage of fruits, vegetables, and meats than of cereals, potatoes, and other staples. But percentagewise the effect will probably be small. While agriculture is a form of private enterprise, we are focusing our attention primarily on nonagricultural industry.

The table assumes a total governmental employment of almost 2½ times the prewar figure. This is realistically high. It may be, and should be, reduced somewhat, if possible, though the omens are hardly favorable. Manufacturing calls for a small percentage increase, assuming a large expansion of consumer purchase of durable and nondurable goods. The output per capita will be greater than this increase shows, since it is to be expected that our general increase in output per labor-hour will be resumed in the postwar period.

There may be some question with regard to the decrease indicated in the categories which are lumped under "commerce." Services have tended to expand as compared with the production and distribution of goods, which are perhaps reaching their peak. In any event, we are here concerned with the employment responsibility of manufacturing and commerce. In 1940, these two areas of private enterprise occupied 76.2 percent of those gainfully employed; the 194– estimate is set at the comparable figure of 73 percent. To it should be added the forestry, fishing, and mining components of agriculture, which in our figures are not segregated.

II

We are interested in the characteristics of private enterprise, as well as its composition. One of its outstanding characteristics is that of sustained growth, which is favorable. This growth has, however, a highly unfavorable feature—that of irregularity. Total employment and production tend strongly upward over the decades, but with severe fluctuations that give us serious concern.

It must be said that a certain degree of wastefulness is also characteristic of private enterprise. This is due to the fact that private enterprise operates as a profit-and-loss system, instead of simply as a profit system, which is the popular assumption. Private enterprise proceeds by a process of trial and error. Enterprise continuously and, under healthy conditions, actively seeks new opportunities for profit. Since business judgment is by no means infallible, a considerable number of new undertakings are unsuccessful and result in loss. The percentage of failure is very high in some undertakings, such as retail trade, and much lower in others, such as the heavy industries in general. The same elements of profit and loss occur in larger individual organizations which show an overall profit. These are usually concerned with a large number of ventures, some of which show a profit and are expanded while others show a loss and are abandoned. Since, however, the end result is an overall profit, the losses do not appear as failures or liquidations, but only—and not always—as writeoffs in the general company accounts. One of the results of the existence of waste is a necessity for some degree of continuous shifting of labor from unprofitable ventures to profitable ones. This goes on continuously, though on a much larger scale at some times than at others.

It should be observed that waste is likewise a characteristic of public enterprise, whether in the area which we are accustomed to regard as proper government activity or in the operations of state socialism, in which the government may occupy any part or the whole realm of the national economy. Some of the waste is of the same sort as occurs under private initiative—that is, the putting of labor and capital into unsuccessful operations. The larger and more visible element of waste, however, lies in expansion of unproductive employment which goes with governmental activity. Redtape, the multiplication of forms and reports, and an elaborate hierarcy of administration have hitherto been inseparable from governmental operation. This condition has often been noted in comparing Russian and American industry.

Furthermore, such waste in governmental activity requires a corresponding wastefulness wherever government touches industry. During recent years, the various price and production controls, renegotiation, contract changes, and similar factors have been a serious burden which businessmen have borne to the best of their ability as an unavoidable incident of war production. It is essential that this load be raised particularly from the shoulders of small business, at the earliest possible moment and to the fullest possible extent. The governmentally induced waste in private enterprise is in many instances too much for small business to endure.

A favorable corollary to the waste inherent in our profit-and-loss system is that private enterprise works on what is essentially a democratic basis. The business of the country seeks the consumers' votes. The consumers cast their ballots, not on a piece of paper in a ballot box, but in dollars over the counter. It is the consumers who ultimately determine the success or failure of a given product and the profit or loss of the business concern engaged in its production and marketing. Even the expensive selling campaigns by advertising of different sorts have their counterpart in the heavy cost of political campaigns. The ony point at which the parallel fails is in the fact that more people have dollar votes than ballot votes. On the other hand, some people have very few and some very many monetary ballots. A distribution of these voting rights on the basis of the services rendered by the voter to society or, in the case of the unfortunate, on the basis of their fundamental necessities, is the ideal toward which our apportionment of economic votes should be directed.

III

As has been noted, an unhappy characteristic of our private enterprise is that it supports employment and production in a very unstable way. The instability springs in part from internal sources. At times, we get started on an inventory spree with the expectation that certain raw materials will become scarce and rise in price. This has led to overstocking and, in turn, to severe commodity speculation. The outcome has been an insupportable credit structure and subsequent collapse, carrying productive business and employment down with it.

At other times, we have had speculative sprees in real estate and, more tragically, in securities. Means of control for these internal instabilities must be sought and applied, as will be suggested later. But in the meantime the business community needs to adjust its ideals to a recognition of the distinction between profits derived from production and distribution on the one hand and those to be gained from the expectation of prospective and perhaps imaginary or impossible returns on the other. This is not to say that the endeavor to realize present profit by holding forth the hope of future profit is always wrong. However, it is a dangerous process, and its economic and social values are under suspicion except where they are clearly constructive.

Perhaps it is unfair to productive business to speak of these speculative sprees as "internal" business phenomena. They do occur in the business structure. But the businessman is, after all, exercising other faculties and instincts than those called for in his ordinary operations when he goes into speculative undertakings on a large scale. It should be possible to make a distinction between business risk and speculation. Risk is an integral part of business; it involves taking a measured chance, on which best available judgment has been favorably passed. Speculation in the sense here used, on the other hand, is the endeavor to persuade someone outside the sphere of normal business opportunities to take himself the chance—good, bad, or indifferent—of future gain at a present profit to the speculator. It is difficult to define speculation in such a way as to exclude the useful and necessary services of the investment banker. Perhaps about all that can be said is that our definition can be applied to innumerable undertakings where it can be plainly seen that transactions are definitely antisocial.

A further main element of instability within the field of private business is the varying rate of capital investment. When business prospects are good and optimism is in the saddle, enterprises of great pith and moment are put in action by small and large business alike. New equipment is bought, factories are enlarged, and the mere expansion of operations calls for increased inventories of raw materials and work in process for manufacturers and of goods for sale on the shelves of wholesalers and retailers. With the first chill breath of approaching liquidation, the purchase of goods slows up and inventories are run off. With regard to plans for expansion of facilities, its currents turn awry and lose the name of action.

The concentration of expansion in times of optimism and the quick contraction in periods of pessimism both accelerate the boom at one moment and make certain the resulting depression in the next. The cumulative effect of these shifts governs and intensifies the variations in the whole economy, which without this intensification might have returned to a practicable balance.

It is widely thought that lowered interest rates could be used as a balancing factor when enthusiasm for expansion wanes. Experience shows that this has only a minor effect, except in certain undertakings that are closely figured and in businesses that have a more or less seasoned record in the public-security markets. Electrical utilities, perhaps, come in this category. But the amount of investment responsive to interest rates is too small a part of the total to make the remedy effective on a national scale. The influence of business opinion as to future profit is the preponderant factor.

IV

It has been difficult for the proponents of large-scale Federal action to understand the sensitiveness of business enterprise to many legislative proposals. Proposals which on their face ought to be favorable to business expansion arouse fears in the minds of businessmen, large and small, and the effects are contrary to those expected. An important lesson to be drawn from this fact is the necessity for mutual confidence between Government and business. Such confidence must be based on understanding. It must lead to shifts in viewpoint both on the side of the Federal Government and on that of the business world. The needed change can come only as a slow growth constantly approaching full understanding and cooperation. It cannot be improvised. It will most certainly be upset by putting into action new and brilliant ideas which from time to time occur to those in authority or with access to the ear of authority.

Aside from such unsettling influences, it is true that even the ultimate consumer makes his contribution to instability. So long as he has a reasonably good income, his expenditures for the necessities of food, clothing, and shelter do not vary very much. The disruptive effect comes in the range of purchases which may be put off for a longer or shorter time. Although it may also show to some extent in the purchase of semidurable goods like clothing, it is most clearly visible in the consumer's decision to buy or not to buy durable consumer goods, whether for cash or on the installment plan. Such goods—radios, washing machines, automobiles, vacuum cleaners, and the like—are an integral part of the American way of life, but their purchase does not become necessary at any given moment. In fact, purchases are largely concentrated in periods of good earning and optimism; they shrink to a trickle in hard times. Durable consumer goods thus play the same part as do durable producer goods or capital investment in inventory, buildings, equipment, and other facilities. Their fluctuations are uncontrolled and from time to time become catastrophic.

All of these disturbing influences in the business cycle finally find expression in the area of money and credit. In periods of expansion, increased production and distribution have been financed largely with the support of bank credit. The contraction of bank credit when doubt creeps in involves the calling of loans, including those based on various types of collateral. Contraction in business volume offsets the credit of previously good borrowers, and more definitely and obviously the market value of collateral. The resulting dumping of collateral adds momentum to the process, and the entire credit structure begins to disintegrate.

The whole picture, viewed in the light of the past, would seem to indicate that private enterprise as it becomes more and more productive, ministering in a higher and higher degree to a scale of living which provides benefits far beyond the mere level of subsistence, becomes in equal measure more and more unstable. This poses a major problem for our economy of high living standards.

V

Besides these integral hindrances to business, its productivity is affected by outside influences. In particular, we shall be seriously handicapped in the postwar period by the high taxes made necessary by the war, apart from being subject to the continued restraint exerted by the fiscal policies of the immediate prewar period. These taxes prevent the old way by which American industry showed its vitality—establishment of new small companies, and promotion of their growth by plowing back earnings so that they became middle-sized and large employers of labor and producers of goods and services. The taxes likewise take so large a part of the investor's income that he is doubly deterred from contributing to venture capital by the small return left him after taxes and the greater risk of a new undertaking.[37] Our postwar tax system must be revised to make venture attractive to the investor as compared with investment in seasoned securities. It must likewise again permit the growth of new and smaller undertakings out of earnings. Unless we can do this, our economy will be frozen into the pattern of large existing corporations, which would stifle vital growth.

Taxation also has its serious effects on the flow of money itself. It is true that we owe the national debt to ourselves and that interest payments and redemption of bonds to individual and corporate holders do not withdraw these funds from the money stream. Yet they do divert it in ways not favorable to the flow of goods and commodities.

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[37] This point is little understood by most people. We read in the papers that some one has an income of $50,000 or $100,000 or $200,000 a year. Surely such a man can afford to take a flyer in a new undertaking. But let us look at the hard facts. If the income is net income (that is to say, after all allowable deductions have been made), under rates applicable to interest and dividends on 1944 income the Federal Government will leave of the $50,000 only about $20,000 after taxes, of the $100,000 only $30,000, and of the $200,000 only $37,000. This leaves far less to spend or invest than most of us realize.

But there is worse and more of it coming. These three men will invest with the expectation of making additional income. But they are in the upper income brackets, and additional income is taxed accordingly. The Federal Government will take 78 percent of the increased dividends from the $50,000 man, 92 percent from the $100,000 man, and 94 percent from the $200,000 man. This leaves too little to be justifiable for a risky, new venture. Even though it should return 10 percent, the investment would net but 2 percent, four-fifths percent, and three-fifths percent, respectively. The richer the investor, the more foolish is it for him to invest except in old, tried, gilt-edged securities.

Furthermore, when bonds in the hands of banks are redeemed, there is a definite reduction in the money volume; this might be made up by a corresponding increase in money velocity—a phenomenon to which too little attention has been given. Taken all in all, it will require an exercise of the best wisdom and experience we have at our command to erect a postwar tax system that will permit both expanding employment and production on the one hand and budget balancing and debt retirement on the other.

Another set of external hindrances stems from organized labor. Most businessmen feel that the balance has been tipped the other way compared with the former situation. If there ever was a time in which the employer, by his ability to give or refuse jobs, held the whip hand, that time has passed. As he sees it, the situation now is reversed in favor of organized labor, whether for good or ill. I do not report this situation as a demonstrable fact. I merely report the sentiment.

There is no question, however, that it is going to take statesmanship in labor relations by both parties to get the maximum of production, employment, and consumption out of our economy. Examples can be found in the building trades, which have traditionally based their hourly earnings on the assumption of part-time employment. The result has been that good homes cost so much that those who built them could not afford to live in them. Of course, the union aspect is not the only thing involved. A complex structure of controls over building material, of business practices, of local building laws, and of union regulation will have to be dissolved if reasonably full employment in this area is to be obtained.

There is one way out which will be unsatisfactory to the members of the building trades: the expansion of prefabricated housing with factory-built plumbing, heating, and refrigerating equipment. Another way out is adoption of such practices as will stabilize our productive machine in general, giving a good foundation for more steady employment in the building trades and adding special arrangements that may be feasible for stabilizing the construction industry. With reasonable wages based on steady work, construction costs would come down to a point where those in the building trades need fear no disastrous effect from factory-built competition.

An obvious impediment to high-level production and employment which falls in the field of labor practices derives from jurisdictional or quick and trivial strikes. These tie up large bodies of workers not concerned with the particular dispute. Such strikes occur too often to be considered lightly. But even in the normal and legitimate negotiations between employer and employee we may run into real difficulties. It seems clear that unless some restraint is placed on the process, mutual agreement between the parties concerned would not save us from unreasonable new wage levels. Rising costs will affect prices and leave the average citizen with no net gain in his economic position, and with a net loss if he is in the salaried class, not to mention the loss of all in the exchange value of their war bonds, insurance, and other savings.

Study of the distribution of income in this country shows how little juice there is in the higher income brackets if it were all available for redistribution in the low-income area. The real chance for improving the living of the low-income groups lies in expansion of the production of wealth, rather than in its redistribution. Labor statesmanship must, of necessity, take this situation into account. As in the relations between government and private business, the main thing is to build up an atmosphere of mutual comprehension and farsighted self-interest between employers and employees. Anything short of such a goal will harm both groups and put a brake on employment and production. Only on expanded employment and production can we depend for improved living standards.

VI

I have presented a long list of problems facing private enterprise. Some of them arise from the operations of government, some from labor relations, some from consumer behavior, and others within business itself. What remedies can be applied to these disturbances? General suggestions have been made as to the necessity for mutual understanding and confidence between business and government and between business and labor. More specific suggestions on other aspects are in order.

Government, negatively, has the duty of preventing monopolistic practices of business which hold back employment and production. It has to act with firmness and wisdom rather than by brilliant and spectacular movements. It must distinguish between mere size of economic structures and restrictive monopoly. The Federal Government also has an immediate duty to find the best practicable answer to the tax question. Taxation must be fiscally adequate, but the burden must be so placed as to permit a maximum expansion of employment and production. The recent policy report on taxation issued by the Committee for Economic Development contains important suggestions. A proper tax structure will withdraw funds from the purchasing stream as we approach inflation and lessen the tax burden when times are poor, instead of doing the opposite, as has been the case in years past. It may even be adjusted positively to this effect, rather than work through automatic provisions.

Unemployment insurance should be expanded to cover all employed persons to the extent administratively possible. It should be available to wage earners and businessmen alike, so as to steady the volume of consumer purchases. The financing of social security should be handled in such a way that it does not intensify inflation or deflation. Credit control is another basic factor. The regulation under which the Federal Reserve System has limited the use of consumer credit during wartime has useful possibilites for peacetime application. It could put the brakes on credit expansion during booms and encourage the purchase of durable goods as business falls off.

Perhaps as important as anything is a coordinated governmental statistical service such as is called for in the pending Full Employment Act, yet not so narrowly applied. With high production and employment as the major economic purpose of our Government, it is fitting that the flow of all available and useful statistical information should be organized and channeled to this one end. It would be bold to make predictions from such information about the requirements 18 months or even 6 months ahead, but such data can be used fruitfully for current administration of governmental and business policies.

The single factor of control incorporated in the Full Employment Act is the provision of governmental expenditure and employment to fill up the deficit in private expenditure and employment. This becomes practicable only if other measures such as I have listed reduce the problem to manageable size. With such reduction, a proper spacing of deferrable governmental expenditures—whether Federal, State, or local—to meet periods of decreasing employment can have a useful effect on the maintenance of work opportunities. The Full Employment Act by itself only touches a fraction of the problem. It will be ineffective, and even dangerous, without the simultaneous use of other policies on the part of all those contributing to high-level employment. It does stand as a landmark in our history. It marks the point in time at which full employment and production are designated consciously and purposefully as the major economic objective of our Federal Government.

VII

Let us return to the part that business itself has to play. Mention has been made of the necessary distinction between monopoly and size of enterprise so far as prosecution by the Department of Justice is concerned. Business has, in fact, a public duty to grow in size. It has a duty to expand its employment and its production. The nice, tight little business concern which seeks to avoid the problems of expansion in favor of a life of ease for its administrators is not doing its duty.

A counterbalance to this responsibility for growth in size is the duty, enforceable by legal action, not to enter into combinations for restriction of output and employment. In practice, such combinations would be undertaken with the expectation of gaining profits from maintaining prices rather than expanding volume. This is definitely against the principle of achieving and maintaining high employment. Prices of products must, of course, be set low enough to obtain a maximum of return by volume production. This means that each company will work up toward the safe limit of its capital resources and managerial ability. The safe limit, in turn, means that the company does not overexpand its credit, but makes provision in its cost and price levels for judicious expansion of employment and production.

It is important that the public recognize more generally the necessity for profit in business operations. The standard here set for business in fulfilling its social functions requires a considerable degree of profit if these functions are to be performed. The unprofitable company is the one whose employment and production decrease. The profitable company can expand employment and production and still pay the stockholders a reasonable return on funds which remain invested instead of being paid out.

Profit and the expectation of profit are the great organizing forces for private enterprise. They perform innumerable functions by the simple process of rewarding those who are successful in meeting public needs and wants, and of throwing into bankruptcy or liquidation those who are unsuccessful. They govern the thousands of business operations which go into the making of a single product, on the whole, in such a way as to bring everything together smoothly and meet with reasonable efficiency the customer's needs ~~and tastes. How effi~~ciently profit and the expectation of profit worked, few of us realized until the necessities of war production required a considerable part of our industries to function by governmental edict, as a substitute for the operations of the market.

In short, the profit system is a marvelous laborsaving and organizing device. It does not work with complete justice and efficiency. We have noted the tendencies toward extremes in operation. On the whole, however, we have no system to take its place. State socialism in Russia has yet to demonstrate that it can provide full employment on anything except a lower standard of living. We await the further results of Russia's experiment with great interest. The only American alternative to the private profit system is the cooperative movement. It will grow only as fast as man's character improves to the point where intelligent, altruistic action can be depended upon to replace the judgment which the consumer passes on the social usefulness of a business through the mechanism of the profit system.

Business has a part to play within its own field of operations in achieving and maintaining a high level of employment. It has never played its part with complete intelligence and effectiveness. Even when it plays its part effectively, high employment and production cannot result except as government, labor, and the public also play their parts. The high aim we seek can be achieved. All elements must accept the discipline essential to that achievement.

[S. Rept. 583, 79th Cong., 1st Sess.]

ASSURING FULL EMPLOYMENT IN A FREE COMPETITIVE ECONOMY

September 22, 1945.—Ordered to be printed

Mr. Wagner (for himself and Mr. Tobey), from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany S. 380]

The Committee on Banking and Currency, to whom was referred the bill (S. 380) to establish a national policy and program for assuring continuing full employment in a free competitive economy through the concerted efforts of industry, agriculture, labor, State and local governments, and the Federal Government, having considered the same, report favorably thereon with an amendment in the nature of a substitute, and recommend that the bill as amended do pass.

I. Introductory Statement

In reporting the full employment bill, we are fully conscious of the historic character of this legislation

The full employment bill deals with the central economic problem of our time—the problem of providing employment opportunities for all Americans able to work and desiring to work. Failure to solve this problem, as pointed out in part II of this report, would shatter our social and political institutions, undermine the health and well-being of our people, and wreck our hopes for avoiding a Third World War.

Part II explains the basic principles of the full employment bill and indicates how they are designed to meet our fundamental needs for an intelligent and cooperative attack upon the problem of unemployment.

Like the San Francisco Charter, the bill cannot be effective without continuous and conscientious implementation—for, like the Charter, it is limited to the enunciation of general policy and the creation of machinery and procedures. This question is discussed in part IV.

As indicated in part V, the principles of the bill have received the enthusiastic support and endorsement of leaders and individuals in all walks of life.

As outlined in part VI, the major opposition to the bill comes from those who believe that continuing full employment cannot be achieved under our system, who are afraid of the effects of sustained full employment, and who think that the Government's responsibility should be limited to the relief of distress.

A number of proposals for weakening amendments to the bill are discussed in part VII. If the bill is not to be converted into a meaningless scrap of paper, it is essential that such amendments be rejected.

The bill, as reported, adequately meets all valid criticisms. The changes that have been made are explained in part VIII. No further changes are needed.

Accordingly, we strongly urge the early enactment of this bill. We are convinced that its passage, without crippling amendments, will inspire business, labor, agriculture, and above all, the men and women who fought and won the war, with a new confidence in America's ability to fight and win the peace.

II. The Need for the Full Employment Bill

A. THE UNEMPLOYMENT DANGER

The history of employment and production in the United States is a record of boom and bust. It is a record of brief periods of growth and development culminating in peaks of prosperity that gave way to disastrous collapse.

The shift from an agrarian economy where each family was largely self-sufficient to a modern industrialized economy has brought greater vulnerability to economic storms. The very wealth of our modern industrial state with its comforts and luxuries has made us more susceptible to recurrent collapse.

Witnesses before the subcommittee and correspondents whose letters are in the Record emphasized that the present postwar outlook is as unstable as our past experience. Some of them expect an immediate postwar boom. Some think we will not immediately recover from the dislocation period but will slip into an undertow of deflation. Almost all agree that unless appropriate Government action is taken, there is a prospect of ultimate collapse.

Temporary dislocation, of course, cannot be avoided; it can hardly result in less than 6 or 7 million unemployed toward the end of the coming winter. But within a few months there will be a critical point at which we shall face (1) the danger of boom and bust, or (2) the danger of stagnation.

In contrast to these two dangers, there is the possibility of rapid recovery during 1946 and 1947 and a steadily expanding level of production, based upon full employment, during the following years. This is the goal toward which we must strive. This is the road that we can, and must, travel.

Yet in the absence of conscious, rational action, it is to be expected that we shall have either a recurrence of boom and bust or that we shall sink steadily into stagnation.

These twin dangers cannot be coped with merely by a program dealing with the immediate transitional problems of conversion from war to peace. In fact, the transitional problems cannot be adequately handled unless, at the same time, we come to grips with the long-range problem of maintaining full employment and full production.

It was for these reasons that the Honorable John W. Snyder, Director of War Mobilization and Reconversion, appeared before your committee and called for the enactment of the full employment bill as a means of helping the immediate reconversion program.

Stated Mr. Snyder:

> My task is the one of redirecting from war to peace the four main resources from which the health of our economy springs—our manpower, our raw materials, our plant and equipment, and our managerial know-how. It would be a useless task if it did not have as its goal full production and employment—a high standard of living and long-range stability.
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> Therefore, the mechanism by which we will attain our long-range goal should be established now. If this is done, present policies can readily be integrated with long-term measures and the new machinery can be functioning effectively by the time we have finished our immediate task of reconversion.

B. THE THREAT TO OUR INSTITUTIONS

Unemployment and the fear of unemployment are deadly threats to American social institutions and to the American way of life.

Witnesses before the subcommittee emphasized this from many viewpoints—religious, social, economic, and political. They stated gravely and emphatically that such intolerable conditions of indignity and frustration, if they occur again, may produce drastic changes in our economic and social institutions.

Ten years ago it would have been superfluous to state these things. Today it appears that many have forgotten the sheer, stark misery and despair that stalked our land during the last depression. It seems therefore pertinent to restate these somewhat unpalatable truths as they have been set before us in recent weeks by men and women whose counsel commands our respectful attention.

1. *Mass misery, frustration, despair*

The memory of the 1930's is fresh in the minds of those who are in close contact with the people and especially those who know the minds and hearts of youth. Boys and girls who were 10 years old at the time of the collapse of 1929 are now young men and women of 26, many of them members or veterans of the armed services. They have not forgotten that their formative years were spent in a condition where there were not enough opportunities to go around.

Witnesses in responsible positions recalled experiences that dramatized this living memory of depression. Spokesmen for veterans recalled the bonus march of 1932. Farm-organized people recalled foreclosures where the sheriff was intimidated by embattled neighbors. Businessmen recalled the bankruptcies. Public officials concerned with the problems of youth reiterated the impossible situation they faced when they could not convey to their young people a feeling of confidence and hope.

2. *15,000,000 veterans*

During World War II there have been 15,000,000 Americans who have served their country in the armed services—about one-fourth of the total postwar labor force.

In the Selective Training and Service Act (sec. 8) Congress took action to guarantee the right of any drafted worker to return to his former employment. It has been brought to the attention of your subcommittee that this congressional guarany is in danger of being frustrated because of the lack of confidence, on the part of veterans and civilians alike, that there will be jobs for all. Already, there are the makings of a sharp conflict over a dwindling supply of jobs. The former Administrator of Retraining and Reemployment, Brig. Gen. Frank T. Hines, in his report to the committee of April 30, 1945, endorsing the full employment bill, warned of "the potentiality of difficult and grave consequences of cleavage along this line * * *" In the same report, he also pointed out that, "continuing full employment would very largely dissipate or entirely eliminate this risk."

But our obligation to returning veterans cannot be limited to guaranties of return to their former employment. Many jobs formerly held by veterans have vanished. Many veterans will be newcomers to the labor force.

This means that all veterans must have job opportunities—if not at former jobs, then at new jobs.

Yet if we attempted to provide jobs for all veterans without providing jobs for civilians as well, we would sow the seeds of conflicts between veterans and nonveterans, and would also frustrate the objective of jobs for veterans.

Our obligation to veterans can be discharged only by assuring all our people that the American economy will avoid the twin dangers of boom and bust and economic stagnation. It can be discharged only by the assurance of sustained employment opportunities for all who are able and willing to work.

3. The family

Unemployment and the fear of unemployment are deadly threats to family life which is the very foundation of a civilized society. Where the head of the family, the principal breadwinner, is driven by a feeling of frustration, harmonious family life becomes impossible. The homemaker and her children are forced to seek employment. Young people cannot marry or cannot maintain a proper household with children brought into the world under conditions that will build sound citizenship.

4. Group conflict

When there are too few jobs to go around, bitter conflict develops between groups and individuals. Under these conditions, human virtues lose significance. The ethics of society recede to the ethics of the jungle, where "dog eats dog." Racial and personal hates emerge. Group is set against group and class against class. The forces of intolerance and fear come forth in racial and religious conflict.

That these grim threats were present in the 1930's and will stalk the land again if we have another depression was stated soberly by responsible witnesses before the subcommittee.

5. Social and political institutions

In despair and frustration the people lose their ability to weigh social and political values. What price tradition to a starving man? We cannot expect unwanted youth to respect our cherished institutions. No group or class is exempt from the gnawing attrition of a realization that society has no place for it.

Unemployment, therefore, has always been looked upon as a golden opportunity for demagogs and for enemies of our established order.

In Germany the rise of the Nazi Party during the 1920's and early 1930's closely paralleled the growth of unemployment. In 1928 unemployment in Germany amounted to less than 2,000,000, and Hitler had only 108,000 followers. By 1933, when unemployment had soared to more than 4,733,000, membership in the Nazi Party had leaped to 3,500,000. It was in that fateful year that Hitler assumed power in Germany and initiated his program for world conquest.

In this connection, we respectfully call attention to the statement submitted to the committee by Prof. James H. Sheldon, administrative chairman of the Nonsectarian Anti-Nazi League. In his statement, Professor Sheldon pointed out that—

> Every evidence indicates that the known leaders of Nationalist, anti-Semitic, anti-Catholic, Ku Klux Klan-like and other subversive movements in this country are looking forward to a possible period of unemployed defense workers and jobless veterans as a time for reaping a golden harvest and as Der Tag at which these vile manipulators may fasten their influence upon the American Nation. * * *
>
> The Nazi or "Nationalist" agitator finds a fertile field for his activities in any group of jobless men or women—and he is always at pains, as his first move toward ensnaring their minds, to promise them money, jobs, and security. His next move is to blame their unhappy condition upon the shortcomings of democracy, or upon some minority or different religious or racial group—whether Jews, Catholics, Negroes, Italians, Mexicans, or whatever group will most conveniently serve as a scapegoat.
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> This propaganda pattern was very clear in the first days of Benito Mussolini's rise to power, and it was developed to its ultimate extreme in Adolf Hitler's climb to the dictatorship of Germany.

C. THE THREAT TO OUR ECONOMIC HEALTH

1. The money cost

The depression of the 1930's cost in money more than the war debt of World War II.

In business volume the depression of the 1930's cost 350 billion dollars; in business profits, corporate and other, it cost 106 billion. In farmers' net income it cost 24 billion. In wage and salary income to workers it cost 175 billion.

In the early 1930's banks, railroads, States, and cities were bankrupt. The Federal Government was compelled to step in with money and with guaranty of credit. The RFC loaned billions to private concerns and to States and cities. Huge outlays were made to save the banks, the railroads, and State and local governments. Revenue collections dropped and the national debt increased.

There is only one thing that this rich Nation cannot afford—another major depression. The war has left the Federal Government with a huge financial liability in the claims of millions of bondholders. The taxes needed to finance these payments can be collected without hardship only from a full-employment national income. They will be oppressive if income and employment are permitted to drop.

2. The cost in human resources

There are various estimates of the number of millions of man-hours lost through unemployment during the depression of the 1930's. Concealed in the unemployment figures are unknown losses through partial unemployment, through partial use of skills, through deadening of the will to work. But the figures as quoted are sufficiently disturbing.

More important, however, is the damage to the vital factor in our national economic life—the hope of improvement, the desire for betterment. In the early 1930's about one-third of our workers were unwanted, and all the rest shared in the fear of being unwanted. Hardly a family escaped the burden of some relative who had lost his job. All shared or feared the bitter necessity of abandoning the living standards to which they had become accustomed. All shared the frustration of the loss of skills, the loss of effective productive capacity, the loss of economic competence, the loss of self-respect, the loss of pride, the loss of ambition, the loss of hope. These injuries to human dignity will not again be tolerated by a free and self-reliant people.

D. THE THREAT TO WORLD PEACE

In the postwar world there will be competition among nations and—if we believe our tenets of competitive enterprise—this is as it should be. If this competition takes the form of rivalry to see which nation can provide the better living standards and the more liberty and opportunities for its citizens, then the result should be favorable in terms of the advancement of the human race.

But if inadequate markets at home cause nations to adopt restrictive measures in foreign trade, there can be only one outcome: Continuous economic warfare and the ever-present threat of a Third World War.

It is impossible to construct a picture of economic health in the postwar world without assuming economic health in the United States. Our direct responsibilities to our own citizens and our direct or implied moral responsibilities to the world compel us to action that will assure economic health in the United States—and this means full employment.

III. THE PRINCIPLES OF THE FULL EMPLOYMENT BILL

The basic principles of the bill are contained in sections 2, 3, 4, and 5.

Section 1 merely sets forth the short title. Section 6 is designed to prevent any possible interpretation that the bill directs or authorizes Government operation of war plants, forced labor, any change in appropriation procedure, or the carrying out of any program not otherwise authorized by law.

Section 2 deals with the fostering of free competitive private enterprise, the right to employment opportunity, the responsibility of the Federal Government to assure continuing full employment, the policy on Federal investment and expenditure, and the policy of full employment without economic warfare.

Sections 3 and 4 provide for the preparation and transmission to the Congress of a national production and employment budget.

Section 5 sets up a joint congressional committee on the national budget.

A. FOSTERING OF FREE COMPETITIVE PRIVATE ENTERPRISE, SECTION 2(A)

Subsection (a) of section 2 declares that—

> It is the responsibility of the Federal Government to foster free competitive private enterprise and the investment of private capital.

This principle is based upon the conviction that full employment and free enterprise are twin objectives. It is based upon the rejection of the belief that sustained full employment is impossible under our free enterprise system. In fact, we cannot have continuing full employment under our institutions without the expansion of private enterprise and the investment of private capital. Full employment without free enterprise, granted that it could be obtained that way, would be contrary to the traditions and desires of the American people.

B. THE RIGHT TO AN OPPORTUNITY FOR EMPLOYMENT, SECTIONS 2(C) AND 2(B)

Subsection (c) of section 2 in setting forth the responsibility of the Federal Government to assure continuing full employment begins as follows:

> In order to assure the free exercise of the right to an opportunity for employment set forth above * * *.

And above, in subsection (b) of section 2 it is declared that—

> All Americans able to work and desiring to work are entitled to an opportunity for useful, remunerative, regular, and full-time employment.

To quote from the report presented to the Senate Committee on Military Affairs, on September 18, 1944, by the then Senator from Missouri, Mr. Truman, and the Senator from Montana, Mr. Murray:

> No thoughtful American—no matter what his creed or station in life—would deny that every man or woman in the country who is willing to work and capable of working has the right to a job.

President Truman restated his views on this subject in his message to Congress of September 6, 1945, in which he called for—

> a national reassertion of the right to work for every American citizen able and willing to work.

In the same message, President Truman quoted the economic bill of rights presented to Congress on January 11, 1944, by the former President, Franklin D. Roosevelt. He reemphasized the first of the economic rights set forth by President Roosevelt:

> The right to a useful and remunerative job in the industries, or shops, or farms, or mines of the Nation.

In our industrial age, the right to employment opportunity is basic to all our other rights as free men and women. As stated by Msgr. John O'Grady, secretary of the National Conference of Catholic Charities, in his testimony before the subcommittee (p. 1009):

> The time has, therefore, come to devise ways and means of implementing the individual's right to a job. There is no use in implementing his other rights if we overlook this basic right.

The affirmation of this right emphasizes the supremacy of the individual, as opposed to the state. It emphasizes the fact that the sole purpose of government is to serve human beings. It was with this thought in mind that Bishop G. Bromley Oxnam, president of the Federal Council of Churches of Christ in America, told the committee that—

> Christianity believes that men and not things are the goal of social living. * * * Democracy likewise insists upon the worth of the human being and recognizes the dignity of man. Speaking, therefore, as a Christian and an American, I regard the right to work as fundamental.

The international significance of the right to work was dramatized by the former Secretary of State, Mr. Stettinius, when, during the San Francisco Conference, he referred to the "four freedoms" of Franklin D. Roosevelt and stated that "the freedom from want encompasses the right to work, the right to social security, the right to opportunities and advancements."

Because of world-wide interest in the right to employment opportunity, and in similar human rights, the San Francisco Charter provides for the creation of an International Commission on Human Rights. In this connection, we call attention to The Eighteen Articles of Essential Human Rights,[1] drafted by a committee representing principal cultures of the world, appointed by the American Law Institute. The chairman of this committee is Prof. William Draper Lewis, director of the American Law Institute. Article 12 of the 18 articles reads as follows:

> Everyone has the right to work.
>
> The state has a duty to take such measures as may be necessary to insure that all residents have an opportunity for useful work.

The right to work has occasionally been misinterpreted as a right to specific jobs of some specific type and status. This misinterpretation has been answered by the Senator from Montana, Mr. Murray, in the following statement:

> The right to a job does not mean guaranteed jobs carrying set salaries and definite social standing. It is not the aim of the bill to provide specific jobs for specific individuals. Our economic system of free enterprise must have free opportunities for jobs for all who are able and want to work. Our American system owes no man a living, but it does owe every man an opportunity to make a living. That is the proper interpretation of the right to work.

The statutory enunciation of the right to employment opportunities does not imply resort to the courts. The redress for individuals who feel that they do not have the opportunity to exercise this right is through action either to have their Government improve its economic program or to obtain an improved administration of the Government.

THE RESPONSIBILITY TO ASSURE CONTINUING FULL EMPLOYMENT

SECTION 2 (C)

Subsection (c) of section 2 declares that—

> * * * the Federal Government has the responsibility to assure continuing full employment, that is, the existence at all times of sufficient employment opportunities for all Americans able to work and desiring to work.

This principle is based upon the universally recognized fact that fear of unemployment and dwindling markets restrains business investment and consumer buying—and thereby breeds unemployment and dwindling markets.

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[1] See appendix F.

Only the assurance that there will be sustained full employment can overcome this fear. Pious phrases about "encouraging" or "promoting" full employment will not help.

Only the Federal Government can provide this assurance. Business, by itself, cannot assume the responsibility for assuring full employment. This is readily admitted by the overwhelming majority of businessmen. Neither State governments nor local governments, by themselves, can assure full employment. This is well recognized by our governors and mayors.

The exercise of this responsibility by the Federal Government cannot detract in any way from the innumerable responsibilities of industry, agriculture, labor, and State and local governments. In fact, the successful discharge of the Government's responsibility will ultimately depend upon the extent to which these groups properly exercise their own responsibilities. This fact has been admirably presented by Mr. Ralph E. Flanders in his letter to the chairman on June 14, 1945 (p. 205 of the record). A few brief quotations from Mr. Flanders' letter are here in order:

> On business devolves the duty of operating at its best possible efficiency and of thereby making it possible for it to expand production and employment, which it should do to the limit of its capacity for solid, sustained growth. It has no duty to furnish employment at a continued loss. * * * Organized labor has serious responsibilities in implementing the right to a job. * * * Local and State governments have duties in connection with the wisdom of their tax policies, the effectiveness of their preservation of human and property rights, and, in particular, the timing of construction work and any other expenditures which are not on a current basis.

Subsection (c) also affirms that continuing full employment means "the existence at all times of sufficient employment opportunities for all Americans able to work and desiring to work."

"Continuing full employment," therefore, does not necessarily refer to a situation in which everybody willing and able to work is working. It merely means that the opportunities to work must exist. While statisticians may argue among themselves as to how much "frictional unemployment" is unavoidable under conditions of "continuing full employment," it is obvious that there will always be a certain percentage of individuals who, although willing and able to work, will not be working. There will always be a certain percentage of unfilled job opportunities.

Since all calculations of the labor force and employment include the self-employed in industry and agriculture, the words "employment opportunities" are also to be construed as including the self-employed in industry and agriculture.

Some of the fundamental reasons why we need the assurance of continuing full employment are also set forth in subsection (c).

Above all, this assurance is needed in order "to assure the free exercise of the right to an opportunity for employment."

As stated by the then Senator from Missouri, Mr. Truman, and the Senator from Montana, Mr. Murray, in the Military Affairs Subcommittee report of December 18, 1944—

> the so-called right to a job is a meaningless figure of speech unless our Government assumes responsibility for the expansion for our peacetime economy so that it will be capable of assuring full employment.

Point 1 of subsection (c) emphasizes that this assurance is necessary in order to "foster free competitive private enterprise and the investment of private capital." Without full employment, the markets will not exist to make private enterprise profitable. Without the assurance of sustained full employment, private enterprise must cope not only with the normal risks of competition but also with the risk of mass unemployment and the risk of unstable and inconsistent Government policies which always flow from mass unemployment. When business faces the risks of mass unemployment and the risk of unstable and inconsistent Government policies, business will inevitably look for ways to eliminate the risk of competition. This means private restrictions on prices and production, an increased trend toward monopolization of business activities, and the destruction of competitive enterprise.

The assurance of continuing full employment will provide confidence in the existence of markets sufficient to absorb the goods and services produced by private enterprise. It will thereby contribute to the elimination of the risk of mass unemployment and the risk of unstable and inconsistent Government policies. By so doing, it will allow business to forego restrictive practices and aggressively face, rather than dodge, the risks of competition.

Points 2, 3, 4, 5, and 6 of subsection (c) emphasize that the assurance of continuing full employment is essential in order to promote the general health and welfare of the Nation, foster the American home and American education as the foundation of the American way of life, raise the standard of living of the American people, provide adequate employment opportunities for returning veterans, and develop trade and commerce among the several States and with foreign nations.

Point 7 asserts the fact that the assurance of sustained full employment is necessary to "maintaining expanding markets for agricultural production and assuring expanding income for agriculture enterprise." Without full employment, no postwar agricultural program—no matter how far it may go in supporting farm prices or in subsidizing individual groups—can succeed in preventing acute depression and widespread hardship in the rural and agricultural areas of the country. As stated by Albert Goss, Master of the National Grange:

> There can be no prosperity for agriculture without full employment. We recognize that as clearly as anyone. In fact, whenever we have had a prosperous agriculture, there has always been full employment.

Naturally, sustained full employment will not provide a substitute for an effective agricultural policy. In fact, a sound agricultural policy will have to be an essential part of the full-employment program under this legislation.

Points 8, 9, and 10 in subsection (c) bring out the need for the assurance of continuing full employment in order to contribute to the economic development of underdeveloped areas of the country, encourage and strengthen competitive small business enterprise, and strengthen the national defense and security.

The final point, point 11, is of particular significance. It stresses that one of the major purposes of assuring full employment is to "contribute to the establishment and maintenance of lasting peace among nations."

In his statement before your subcommittee, the Honorable James F. Byrnes, Secretary of State, emphasized that the success of our international policies will—

> depend, in large measure, upon the character of the policies which we pursue at home * * *. The victory we have won is in a large measure attributable to the magnificent performance of the American economy at war. In the years ahead, the performance of the American economy will determine, in equally large measure, whether we shall win the peace.

Secretary of State Byrnes also pointed out that the same fear of mass unemployment in America which exists today throughout this country also exists in other countries. He explained that this fear on the part of the other nations undermines American prestige and may well contribute to a renewal of economic welfare. His words deserve to be indelibly imprinted in the minds of all thoughtful Americans:

> The fear that is felt today in many foreign capitals, it not that America will misuse its vast economic powers but that we may fail to use them to the full. If this fear is realized, the prestige and the influence that we have earned in every part of the world will be thrown into jeopardy and the success of our proposals for world reconstruction will be imperiled.
>
> Nations will not long adhere to liberal trading principles if they feel their own stability is threatened by the persistence of depressions which may originate outside their borders. On the contrary, they will raise new barriers to trade in an effort to insulate themselves against a troubled world. There will be a renewal of competition in restriction; trade, instead of expanding, will contract. In such an atmosphere, the will for international cooperation, on other fronts, may be lost. This is the danger that must be averted if our hopes for peace and plenty are not to fail.

On the basis of these facts, Secretary Byrnes endorsed the principles of the bill, and made the following statement thereon:

> Its enactment would demonstrate to the other nations of the world, in a dramatic way, that this country is determined to prevent depressions and to eliminate mass unemployment. It would thus contribute to the establishment of a liberal trading system and the attainment of an expanding world economy.

Mr. Ulric Bell, executive vice president of Americans United for World Organization, made a similar point in his testimony supporting the full employment bill. Stated Mr. Bell:

> Sustained employment in the United States undoubtedly would increase the confidence of other nations in the ability of this country to contribute potency to the world organization. That uncertainty out of which grow political abuse and military devastation is a byproduct of unstable economic conditions. The rest of the world is watching us to see whether we can manage our abundance and enjoy it, to the benefit of all nations, in the time of peace, without sacrificing our free enterprise system.

D. POLICY ON FEDERAL INVESTMENT AND EXPENDITURE, SECTION 2(d)

Section 2(d) describes the type of economic program needed to make good on the assurance of continuing full employment.

First of all, it indicates that the Government must have "a consistent and carefully planned economic program." This is based upon the fact that there cannot be an employment program as distinguished from the entire economic program of the Federal Government; everything the Government does has some bearing upon employment and production.

A number of specific fields of Federal action—such as taxation and agriculture—are specifically mentioned, in order to emphasize that the Government's program must be completely comprehensive and cover all its revenue, investment, expenditure, service and regulatory activities. This program, naturally, includes public works and public services.

Moreover, the Government's program is to be developed "in cooperation with industry, agriculture, labor, State and local governments and others." This recognizes the fact that cooperation between these groups and their Government is a *sine qua non* of any full employment program.

Finally, section 2 (d) sets forth certain necessary characteristics of the "economic program."

The first and foremost is that it should—

> (1) stimulate, encourage, and assist private enterprises to provide, through an expanding production and distribution of goods and services, the largest feasible, volume of employment opportunities.

The second is that the program should—

> (2) stimulate, encourage, and assist State and local governments, through the exercise of their respective functions, to make their most effective contribution to assuring continuing full employment.

The third is that the program should—

> (3) provide for an income for the aged sufficient to enable them to maintain a decent and healthful standard of living, and promote the retirement from the labor force of the older citizens.

The fourth is that the program should—

> (4) to the extent that continuing full employment cannot otherwise be assured provide such volume of Federal investment and expenditure as may be needed, in addition to the investment and expenditure by private enterprises, consumers, and State and local governments, to assure continuing full employment. Such Federal investment and expenditures, whether direct or indirect, or whether for public works, for public services, for assistance to business, agriculture, home owners, veterans, or consumers, or for other purposes, shall be designed to contribute to the national wealth and well-being and to stimulate increased employment opportunities by private enterprises.

The policy set forth in these provisions is extremely close to that enunciated by Gov. Thomas E. Dewey, in San Francisco on September 21, 1944:

> Government's first job in the peacetime years ahead will be to see that conditions exist which promote widespread job opportunities in private enterprise * * *. If at any time there are not sufficient jobs in private employment to go around, the Government can and must create job opportunities, because there must be jobs for all in this country of ours.

If there is any difference between these two policies, it is that the latter goes much further. Governor Dewey says that, if necessary, the Government "must create job opportunities."

The full employment bill, on the other hand, provides not for the direct creation of work by the Government but, if necessary, merely for "such volume of Federal investment and expenditure as may be needed * * * to assure continuing full employment." This can include loans or grants to State and local governments and other "assistance to business, agriculture, home owners, veterans or consumers."

The policy on Federal investment and expenditure set forth in paragraph (4) of section 2 (d) indicates that the Government means what it says and will assure continuing full employment. It serves notice that the Government will not allow any rigid mathematical formula on the balancing of the Federal Budget to interfere with its moral and legal commitment to assure continuing full employment.

This policy is essential if we are to avoid the large-scale Government expenditures that will be inevitable if we have widespread unemployment. General knowledge of the mere readiness of Government to provide additional investment and expenditure, to the extent needed, and thereby to assure sufficient markets for the goods and services produced at full employment, will largely reduce the need for Federal investment and expenditure.

Furthermore, the program clearly emphasizes the intention of the Federal Government not to use Federal investment and expenditure except to the extent that is absolutely necessary.

It clearly and uncompromisingly establishes a firm priority upon the creation of an economic climate in which private enterprise can "provide, through an expanding production and distribution of goods and services the largest feasible volume of employment opportunities."

It clearly and uncompromisingly establishes a priority upon measures to assist State and local governments "to make their most effective contribution to assuring continuing full employment."

It clearly sets forth the objective of reducing the size of the labor force by making more attractive the voluntary retirement of the older citizens.

Finally, by providing the machinery for developing a "consistent and carefully planned economic program" it emphasizes the need for the use of the Government's entire "tool chest" in order to stimulate private activity and minimize the necessity of investment and expenditure by the Federal Government. The breadth of this "tool chest" is described in detail in the testimony of Mr. Harold D. Smith, Director of the Bureau of the Budget (pp. 902–931 of the record).

The following quotation from Mr. Smith is also revelant:

> Several critics of the full employment bill have suggested that the bill is designed to pave the way for huge deficit spending. This is a distortion of the meaning of the bill. * * * It is my conviction that a policy designed to prevent depression and unemployment is the best contribution we can make to holding down Federal expenditures and the public debt.

This fact has also been emphasized by the Honorable Fred M. Vinson, Secretary of the Treasury (p. 965 of the record):

> There is one point I want to emphasize particularly. This is not, as many seem to believe, a mere spending bill or deficit financing bill. Whenever there is inadequate demand, the primary duty of the Government under this bill will be to encourage an expansion of consumption and investment and the private purchase of the products of industry.

In a similar vein, Dr. Ernest Minor Patterson, professor of economics, Wharton School of Finance and Commerce, University of Pennsylvania, made the following statement:

> I urge, secondly, in connection with any proposals that may eventuate as a result of the passage of the bill, that in all probability the expenditures will be less than would be incurred if no plans are laid and if emergency measures have to be presented and acted upon when the emergency arises.
>
> The proposals, if intelligently carried out, would directly or indirectly be productive of expenditures to a considerable extent and would actually add to the

national income, while a great many hurriedly proposed relief measures are apt to amount to merely a redistribution of a smaller national income.

Attention is called to the fact that subsection (d) is to avoid another WPA. In addition to orientating the Government's program toward preventing a situation such as gave birth to the WPA during the 1930's, it provides that Federal construction be performed under contract, except in special circumstances, and under laws relating to labor standards. Naturally, this should not be construed as indicating that "Federal investment and expenditure" is limited to construction activities.

Subsection (d) also sets up a general standard to govern Government's investment and expenditure program. This standard is that the program—

> shall be designed to contribute to the national wealth and well-being and to stimulate increased employment opportunities by private enterprises.

E. FULL EMPLOYMENT WITHOUT ECONOMIC WARFARE, SECTION 2(e)

Subsection (e) of section (2) provides that:

> It is the policy of the United States to discharge the responsibilities herein set forth in such a manner as will contribute to an expanding exchange of goods and services among nations and without resort to measures or programs that would contribute to economic warfare among nations.

This provision is based upon the amendments offered by the Senator from Oregon, Mr. Morse, the Senator from New Hampshire, Mr. Tobey, the Senator from Vermont, Mr. Aiken, and the Senator from North Dakota, Mr. Langer. It emphasizes that the day of economic isolationism in America is over. It indicates that the full employment program will be oriented toward obtaining "an expanding exchange of goods and services among nations."

It also declares to all the world that America is not interested in obtaining additional employment within its borders through an imperialistic drive for markets throughout the world.

This provision, in an earlier form, was endorsed by the Honorable James F. Byrnes, Secretary of State, in his letter to the chairman of August 18, 1945. In this letter, Secretary Byrnes made the following statement:

> The proposed amendment is in accord with the position of the Department as expressed in its letter to you of March 31, 1945. It gives explicit recognition to the substantial contribution which higher levels of foreign trade can make to the success of our domestic full employment program, and stresses the importance of avoiding measures which would be detrimental to other countries.
>
> I believe that it is highly important that the act should contain such a declaration which clearly indicates that it is the policy of this Government to achieve the objectives of the act through measures which will contribute to an expansion of world trade and investment and without resort to measures which are likely to create unemployment in other countries. Full employment and higher standards of living for he people of the United States are dependent in large degree upon a stable and prosperous world economy. Only if all countries work together in the achievement of these basic economic goals can we hope to create a firm foundation for the peace which has been achieved at such great cost.

F. THE NATIONAL PRODUCTION AND EMPLOYMENT BUDGET, SECTION 3 AND SECTION 4

Section 3 provides that at the beginning of each regular session the President shall transmit to the Congress a national production and employment budget. The most important features in this budget are:

1. A statement of economic goals;
2. An appraisal of current economic trends; and
3. A general program for attaining the goals.

Paragraph (1) of section 3 (a) indicates that these goals are to be stated in terms of—

> the number of employment opportunities needed for full employment, the production of goods and services at full employment, and the volume of investment and expenditure needed for the purchase of such goods and services—

in other words, in terms of employment, production, and consumption. This recognizes the fact that employment depends upon production, and production depends upon the purchase of the goods and services that are produced. To speculate as to which of the three comes first is like the old argument about the chicken and the egg; the essential point is that all three are of equal importance.

Paragraph (2) closely parallels paragraph (1). It provides for a presentation of "current and foreseeable trends" in employment, production, and consumption.

Paragraph (3) of section 3(a) calls for the submission of a general program to achieve the goals set forth on employment, production, and consumption. It is to be based upon the principles set forth in section 2 and to include—

> whatever recommendations for legislation the President may deem necessary or desirable.

It is also to include—

> whatever measures he may deem necessary to prevent inflationary or deflationary dislocations or monopolistic practices from interfering with the assurance of continuing full employment.

Subsection (b) provides that the national budget shall include—

> a review of the economic program of the Federal Government during the preceding year and a report on its effect upon the amount of national income and upon the distribution of the national income among agriculture, industry, labor, and others.

Subsection (c) calls for quarterly reports to Congress. This means that the President must regularly review his goals, his appraisal of economic conditions, and his general program, and submit the results of this review to the Congress.

Subsection (d) provides that the national budget shall be referred to the Joint Committee on the National Budget.

Section 4 deals with the preparation of the national production and employment budget.

Subsection (a) provides that it would be prepared—

> under the general direction and supervision of the President, and in consultation with heads of departments and establishments.

The administrative machinery to be used in preparing the national budget must be left to the President's discretion—since it is his program and his responsibility. Only experience can indicate what type of administrative machinery would prove most effective. It would be a serious error to freeze a specific set-up into law before any experience had been gained in the preparation of a national budget. The President should be left unhampered to work out the problem.

Subsection (b) provides for mandatory consultation with economic groups and State and local governments on the preparation of the national budget. No specific boards or committees are established. This, also, must be worked out on the basis of experience. It is possible that a number of boards set up for specific purposes or for a specific length of time may prove most effective.

Testifying before the subcommittee, Mr. John W. Snyder, Director of War Mobilization and Reconversion, highly approved the principle of a national budget. Mr. Snyder stated:

> This bill provides a procedure for determining the state of health of the country as far as production and employment are concerned. It is a barometer by which to gage the economic climate.
>
> The information which would be furnished the Congress would contain not only comprehensive analyses of current economic conditions but also a forecast of future conditions. Perfect forecasting is, of course, out of the question, but judgments concerning the future are necessary in any case. Businessmen make such judgments and base production plans upon sales forecasts, as do concerns in planning construction programs for a year or more in advance.

Mr. Harold D. Smith, Director of the Budget, also approved the national budget concept.

> The appraisal and recommendation required by this bill—

said Mr. Smith—

> are of such importance that in my judgment, they should be transmitted not only at the discretion of the President, but should become part of his statutory responsibility. * * * The basic requirements of this bill are in line with a development that began with the Budget and Accounting Act of 1921.

Mr. William Green, president of the American Federation of Labor, stated that—

> The national budget which the President would be directed to prepare would aid in pressing home the responsibility of private enterprise and in disclosing next steps.

In line with Mr. Green's thesis, Mr. Harry Golden, a small businessman, testified as follows with regard to the national budget:

> I am for this full-employment bill because: (1) It states definite objectives for the Nation, just as I have definite objectives in my own business. I am for this bill because (2) once a year I would be advised by the President as to the outlook for employment and business during the ensuing year. In my business, I get the announcements of new automobiles and bicycle models at the start of each year and study the possible after-market for parts and accessories the following year.

In urging the early enactment of the full-employment bill, your committee points out that if this measure is promptly written into law, the Congress will receive its first national production and employment budget in January 1946, at the beginning of the coming session.

The transmittal of a national budget at that time will be of incalculable value to the Congress in its efforts to deal with the many perplexing problems of reconversion and postwar adjustment.

G. THE JOINT COMMITTEE ON THE NATIONAL BUDGET, SECTION 5

Section 5 establishes a joint committee composed of 15 Members of the Senate and 15 Members of the House of Representatives. This committee would make a continuing study of matters relating to the national budget.

The purpose of this joint committee was admirably expressed in the testimony of Albert S. Goss, master of the National Grange (p. 824):

> Too frequently we have approached the consideration of such basic economic problems as taxation, transportation, tariffs, labor legislation, farm legislation, financial legislation, and a host of others in a detached and narrow manner, without adequate consideration for the effect of the policy established upon our whole economy. Every sore spot affects our whole economy, but we have been too much inclined to consider each problem separately. Here, in the joint committee, the interdependence of all segments of our economy would be recognized in a practical way.

After making a study of the national budget, the joint committee is to prepare and report a joint resolution to be acted upon by the Congress. This resolution would indicate acceptance, with or without reservations, or rejection of the President's program.

The joint resolution would be accompanied by a report summarizing the committee's "findings and recommendations with respect to each of the main recommendations made by the President in the national budget."

> The joint resolution—

to quote Representative Wright Patman of Texas, House sponsor of the bill,

> would then become the basis for a Congressional debate on national economic policies. This debate would focus upon the relationship of the Federal Budget and the economy as a whole. It would help to orientate the thinking of our Congress and of our people in terms of the whole ecnomic picture. It would make a tremendous contribution to the prestige of Congress and to the general public understanding of the national problem and national issues.
>
> Today there is no single vehicle through which the Congress can make a decision on the entire Federal Budget or upon the general policy of the Government.
>
> The joint resolution provides the vehicle for such a decision. When agreed to, it would serve as a framework and guide for the development of individual policies and programs. It would help provide that over-all consistency which business investors need if they are to make future plans for expansion. It would also provide the flexibility needed to meet changing conditions.

Finally, we should like to quote the statement made with respect to the joint committee by the Honorable Clinton P. Anderson, Secretary of Agriculture, and a former Member of the House of Representatives (p. 523):

> Although the establishment of this joint committee of the Senate and House of Representatives is an innovation in congressional procedure, I believe that it is a sound and desirable step. It will greatly simplify and improve the present congressional procedures for handling budgetary legislation.

IV. IMPLEMENTATION OF THE FULL EMPLOYMENT BILL

A. COMPREHENSIVE PROGRAM NEEDED TO IMPLEMENT BILL

The enactment of the full employment bill, by itself, will not assure continuing full employment. This was clearly pointed out in the report submitted to the committee on May 30, 1945, by the Honorable Fred M. Vinson, in his capacity as Director of War Mobilization and Reconversion.

> S. 380 does not profess to present a fully conceived program for the achievement of full employment—

stated Mr. Vinson.

> It is the necessary first step from which a full-dress program of economic policies to promote the well-being of our free competitive economy will stem.

On August 31, 1945, Mr. Vinson again emphasized this point, stating that the full employment bill—

> is a landmark, but not the end of the road.

On September 1, 1945, testifying on behalf of the full employment bill, the Honorable John W. Snyder, who has succeeded Mr. Vinson as Director of War Mobilization and Reconversion, stated this point in the following fashion:

> Some have the impression that the full-employment bill in itself, when passed, will produce jobs. Of course, it will not produce as much as a single job. What it does is to fix a responsibility on the President and the Congress with respect to the attainment of full employment and provide an effective mechanism to assure that the Congress will be in a position to discharge these responsibilities.

B. MANY PROGRAMS SUBMITTED DURING HEARINGS

There was general agreement among the witnesses who testified before the subcommittee that it would be impracticable to try to write into the full employment bill specific programs in any one or more fields of action.

There was also substantial agreement on the various fields of action that should be covered in any program to implement the bill. The major fields that were mentioned are, without reference to the order of importance, taxation, public works and conservation, small business, natural resources, veterans' benefits and preferences, agriculture, wages and hours, and foreign trade.

There was considerable variation, however, with respect to the specific policies that might be followed in these various fields of action. The most comprehensive programs were proposed by Clarence Avildsen, chairman of the board, Republic Drill & Tool Co., Chicago; William Green, president, American Federation of Labor; Ira Mosher president, National Association of Manufacturers; Philip Murray, president, Congress of Industrial Organizations; and the Honorable

Fred M. Vinson, Secretary of the Treasury. Appendix C contains quotations from the testimony of these five witnesses, summarizing the programs they presented to the subcommittee.

C. MANY TYPES OF PROGRAM POSSIBLE UNDER THE BILL

In his testimony of July 30, 1945, the Senator from Wyoming, Mr. O'Mahoney, presented a chart to the committee which indicates that there are three different types of full-employment programs that might be developed. This chart is printed on page 37 of the hearings, and deserves careful study.

The three alternatives in Senator O'Mahoney's chart are—

(*a*) High business investment.
(*b*) High Government expenditures.
(*c*) High consumers' expenditures.

Upon introducing the full-employment bill in the Senate, the Senator from Montana, Mr. Murray, also developed this point. Stated Senator Murray:

> The full employment bill recognizes that we live in a world of changing conditions and changing requirements in national economic policy. For that reason, it provides no fixed proportions of the national budget to be supplied by consumers, business, or Government. In certain circumstances, Congress may find it desirable or necessary to provide:
>
> First. A national budget that emphasizes increases in consumers' expenditures; or
>
> Second. A national budget that emphasizes increases in the capital outlays of business; or
>
> Third. A national budget that emphasizes increases in Government expenditures.
>
> Naturally there could be all degrees of difference between these three general types, as well as combinations of any types.
>
> * * * * * * *
>
> It is my own personal opinion—and I have stated this before on the floor of the Senate—that the royal road to prosperity is high wages, low prices, and a tax system that is unequivocally based upon the ability to pay and the encouragement to produce. It is my belief that in this way, with only moderate Government expenditures for desirable Government services, we could achieve a more equitable distribution of the national income which would give us an unprecedented expansion in consumers' expenditures and a vigorous, though not excessive, expansion in the capital outlays of business.
>
> But my personal opinion on how the national economy might best be balanced is not relevant to the question of how it would be balanced under this bill. The specific national budget that would result in any given period would be determined, not by the operations of any one individual or any one group but on the basis of that active interplay between all groups and all our political leaders which is the very essence of the democratic process in our democratic America.

V. WIDESPREAD SUPPORT FOR THE FULL EMPLOYMENT BILL

The principles of the full employment bill have been firmly and specifically endorsed by President Truman, Secretary of the Treasury Fred M. Vinson, Secretary of Agriculture Clinton Anderson, Secretary of Labor Lewis B. Schwellenbach, Secretary of Commerce Henry A. Wallace, Director of the Budget Harold D. Smith, and other officials in the executive branch of the Government.

They have also been strongly endorsed by innumerable businessmen.

They have received the strong support of all sections of organized labor.

They have been endorsed by farm leaders, religious leaders, and experts in all walks of life.

A partial list of the organizations that have endorsed the bill include the following:

The American Federation of Labor.
The Railroad Labor Executives Association.
The Congress of Industrial Organizations.
The United Mine Workers.
The American Association of Social Workers.
American Jewish Congress.
Americans United for World Organization.
American Veterans Committee.
Brotherhood of Maintenance of Way Employees.
Brotherhood of Railroad Trainmen.
Business Men of America, Inc.
Central Council of American Rabbis.
Council for Social Action of the Congregational Christian Churches.
Disabled American Veterans.
Hosiery Wholesalers National Association.
Independent Citizens' Committee of the Arts, Sciences, and Professions.
League of Women Shoppers.
Methodist Federation for Social Service.
National Association for the Advancement of Colored People.
National Board of Young Women's Christian Association.
National Catholic Welfare Conference.
National Conference of Jewish Women.
National Consumers League.
National Council of Negro Women.
National Council of Scientific, Professional, Art, and White Collar Organizations.
National Council for the Social Studies.
National Education Association of the United States.
National Farmers Union.
National Grange.
National Lawyer's Guild.
National Urban League.
National Women's Trade Union League of America.
Non-Partisan Council of Alpha Kapp Alpha.
Southern Conference for Human Welfare.
Synagogue Council of America.
Union for Democratic Action.
United Christian Council for Democracy.
United Council of Church Women.
United States Conference of Mayors.
United Steel Workers of America.

The majority of the witnesses who testified before the subcommittee also supported the bill. The names of all the witnesses appear in appendix A. Appendix B contains a set of excerpts from their testimony relating to—

(1) The right to employment opportunity;
(2) The Government's responsibility to assure continuing full employment;
(3) The policy on Federal investment and expenditures;
(4) The national production and employment budget; and
(5) The Joint Committee on the National Budget.

The great majority of correspondents whose letters appear in the record have also endorsed the bill.

This widespread support for the full employment bill is reflected in its broad sponsorship. In the Senate it is cosponsored by eight Members. In the House it is cosponsored by 106 Representatives. In each House the sponsorship includes members of both the Democratic and Republican Parties.

VI. THE OPPOSITION TO THE FULL EMPLOYMENT BILL—AND THE ANSWERS

The great majority of the witnesses who testified on the bill endorsed its principles.

The opponents were in a decided minority. In fact, the chairman of the committee personally solicited testimony from some who had publicly expressed their position against the bill, or who were regarded as possible opponents of the bill, but who subsequently decided that they were not interested in appearing against this measure.

Nevertheless, there has been a certain amount of vocal opposition to the bill. This has appeared in privately circulated articles and brochures. It has appeared in a portion of the press. It has appeared in the testimony of Ira Mosher, president of the National Association of Manufacturers; William L. Kleitz, vice president of the Guaranty Trust Co. of New York; and James L. Donnelly, executive vice president of the Illinois Manufacturers Association; as well as in some of the letters sent to the chairman of the committee.

Accordingly, we feel that it is important to summarize the main arguments which have been made against the basic principles of the full employment bill.

Upon examination, we find that the major opposition to the bill is based upon the conviction that—

A. Continuing full employment is impossible under our free enterprise economic system;

B. Continuing full employment is in itself undesirable; and

C. The responsibility of the Government should be limited to the relief of destitution.

Naturally, there are other arguments made. But these other arguments—whether they deal with the role of Government expenditure or with the feasibility of the National Budget—usually consist of a restatement in different language of one or another of the above arguments.

In the same way the amendments that have been proposed to weaken or cripple the bill are usually based upon the philosophy that continuing full employment is impossible under our economic system—that it would be undesirable in any case, or that the Government's responsibility should be limited to the relief of destitution.

In view of the importance of these arguments, an analysis of each is herewith presented—together with the answer to each.

This list includes not only the three fundamental arguments referred to above, but also a number of variations on the same theme.

A. CONTINUING FULL EMPLOYMENT IS IMPOSSIBLE UNDER OUR ECONOMIC SYSTEM

This argument takes two forms.

The first is that booms and depressions are inevitable.

In his testimony of Tuesday, August 28, 1945, Mr. William L. Kleitz, vice president of the Guaranty Trust Co., New York City, stated that—

> I think that they (depressions) are inevitable under the free enterprise system and that the best we can hope to do is to limit their depth and their duration.

One of the correspondents whose letter appears in the record (p. 140) has stated:

> There is no question but what this country made the greatest progress that has ever been made by any nation up to the point of the great depression in 1932. This was made in alternate increases and declines in business. We will always have these because that is human nature * * * it cannot be overturned by laws, and it cannot be changed by laws * * *.

A more elaborate presentation of this doctrine of the inevitability of depression is provided in an attack upon the full employment bill entitled, "Full Employment and the National Budget" which has been printed and widely circulated by the Citizens National Committee, Inc. This brochure charges that the full employment bill rests upon the fallacious assumption "that 'full employment' is practicable as well as desirable." The following quotation from this brochure (p. 15) is particularly relevant:

> The practicability of such a full employment objective is dubious. At only a few times in our national history—during relatively brief periods of extraordinary wartime activity—has there been a condition nearly approaching full employment.

This approach is echoed by those who say that they agree with the objectives of full employment, as set forth in the proposed legislation, but that they are afraid it is leading people to expect too much.

The second form in which this argument is stated is that continuing full employment would mean regimentation.

Those who claim that full employment is impossible under our system point not only to the experience of the past but also to the experience of other countries. Russia provides full employment, they point out, but on the basis of a socialist system. Germany and Italy provided full employment, they state, but on the basis of a Fascist state. Therefore, we cannot have full employment except through a change in our own economic system.

The Citizens National Committee brochure puts the argument as follows:

> Of course, it would be possible to provide extensive employment if something akin to wartime conditions were perpetuated by adoption of a form of totalitarian economy such as exists in Russia or formerly existed in Germany. Such action does not appear to be contemplated within the framework of the Murray bill. It is difficult, however, to conceive of how full employment can be arrived at short of such a step.

In similar vein, the Chamber of Commerce of the State of New York has approved a report (March 1945 Bulletin of the Chamber of Commerce of the State of New York) which states that depressions are "the price we pay for freedom."

The answer

The argument that booms and depressions are inevitable is a defeatist argument.

It is on a par with saying that because we have always had wars there is no hope of averting a third world war. If this line or argument were to be followed in international relations, then there would have been no use in approving the San Francisco Charter.

In fact, if this argument were to be accepted, it would amount to breaking faith with the other nations with whom we joined in signing the San Francisco Charter—for if we have another depression in

America, world-wide depression will follow and the Charter will be reduced to an empty dream.

Those who support the full employment bill maintain that continuing full employment is possible under our economic system. We believe that full employment and free enterprise are entirely compatible. We believe that each one supplements and helps the other. We have studied the lessons of past depressions and are resolved that the future of America shall not be shaped by the dead hand of the past.

Those who argue that continuing full employment means regimentation are themselves sowing the seeds of economic and political revolution. No hostile foreign agent could do more to wreck the fabric of our society than to tell our people that unemployment is the price we pay for free enterprise.

In earlier years it was customary on the part of those who yearned for the past and feared the future to brand every progressive proposal as being a step toward regimentation and the destruction of the American system. More than a century ago this argument was used against those who proposed free public schools. Later, it was used against Abraham Lincoln when he campaigned for internal improvements of the country. The same argument was made against the creation of the Federal Reserve System, the enactment of the income-tax law, the regulation of the stock exchanges, and the establishment of the right to collective bargaining.

In the case of these past measures, the net result of the cry that we were heading toward communism was to impair the reputation of those who shouted "wolf."

In the case of the full employment bill, however, those who say that full employment is impractical and that the sponsors of the full employment bill are promising too much are jeopardizing more than their personal repute. They are publicly inviting the American people to search for some new economic system that would be compatible with sustained full employment. They are jeopardizing the future of economic and political democracy.

B. CONTINUING FULL EMPLOYMENT WOULD BE UNDESIRABLE

This argument breaks down into several variations.

The first is the belief that full employment is inflationary. It is argued that under conditions of sustained full employment, business would raise prices excessively, and labor would obtain excessive increases in wages, thus leading to an inflationary spiral and then inevitable collapse.

The second approach is based upon the lure of "boom and bust profits." Booms and depressions both present opportunities for an agile and well-financed few to better their fortunes. Over the past decades, many fortunes have been made by "riding the business cycle." In time of boom, there is always a small minority who can reap fabulous profits. In fact, the possibility of boom-time profits is often so attractive as to counterbalance the fear of what might happen during a subsequent depression.

Likewise, there are some who have learned to profit during periods of mass unemployment. For some large corporations, depression provides the opportunity to push small competitors to the wall. In this connection, we should like to quote from an article entitled, "We Need Those Depressions," written by Mr. Ralph B. Blodgett, head of an advertising agency in Des Moines, Iowa.[2]

> It is to be hoped that depressions are never abolished, for they have many desirable features. Those who learn to ride the business cycle can find as many advantages in depressions as in booms—personal as well as business advantages. Smart folks take advantage of the boom * * * they are then ready for depression-time bargains, bargains in every conceivable thing from a suit of clothes to a railroad.

The third variation is based upon the fear of a "tight labor market." A small minority of employers feel that full employment creates a situation in which organized labor has too much bargaining power. They prefer to have a safe "pool of unemployed."

An argument along this line is contained in the letter (p. 213 of the record) from Mr. Carlyle Fraser, chairman of the national affairs committee of the Atlanta Chamber of Commerce, which states that "private competitive capitalism requires a floating number of unemployed."

Those who advocate a floating pool of unemployed people usually believe, in all sincerity, that this pool should be kept to safe proportions. Estimates of how large the pool should be usually range from 4,000,000 unemployed to seven or eight million unemployed.

This point of view was identified—and criticized—by Mr. Charles F. Palmer, president of Palmer, Inc., also of Atlanta, Ga. (p. 727 of the record). Mr. Palmer testified immediately following Mr. Ira Mosher, the head of the National Association of Manufacturers, and began his statement as follows:

> In opposition to the view of Mr. Mosher that this bill will help to bring about depression, I feel that its enactment will help to give assurance to those who fear that they will lose their jobs and to those industrialists who believe they will not be able to carry on. There may be some who may oppose such assurance being given because there are some in industry who may say they would prefer to have it out with labor now.

The fourth argument is that if there are jobs for all, people will be less interested in working. Those who advance this view, claim that there are a large number of people who go through life doing as little work as possible, and that the fear of unemployment is a necessary incentive to obtain a good day's work. Under conditions of sustained full employment, they claim that this fear would not exist and initiative would decline. In support of this theory, they allege that during the war, as a result of the labor shortage, both initiative and productivity have disastrously declined.

The fifth argument is that the prevention of mass unemployment is sufficient. Since continuing full employment has so many undesirable characteristics, it is argued, and since it cannot be obtained in a free society, we should stop talking about the assurance of continuing full employment and limit our objective to the prevention of mass unemployment.

The answer

The argument that full employment is inflationary is based upon the defeatist assumption that American business and American labor would take advantage of prosperity. It is grounded upon the belief that under our free enterprise system, it is impossible to have a cooperative effort between business, labor, and government, and that under conditions of full employment, we would need regimentation to prevent inflation. This is another way of stating that continuing full employment is incompatible with free enterprise.

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[2] This article appeared in the University of Illinois Bulletin, Opinion and Comments, dated August 25, 1945.

This argument also overlooks the basic economic fact that the fear of unemployment and depression is one of the fundamental causes of inflation. When a businessman assumes that there will be unemployment and depression some time in the foreseeable future, he tries to protect himself against the future. This means a price policy that will allow him (1) to build up reserves to help carry his business through the coming depression, and (2) to break even, or perhaps even have a profit, at the low level of production that will be necessary during the coming period of depression. Such a policy leads to inflation—and then collapse.

This fact was emphasized to your committee by the Honorable Chester Bowles, Price Administrator, in his March 27, 1945, report on the full employment bill:

> In the absence of any assurance that business will continue to operate at high levels, many firms want to make all they can while the opportunity exists. I am firmly convinced that this desire to make a killing during the war, which is one of the main difficulties operating beneath the surface not only in minds of many businessmen but also farm and labor groups, is at bottom a result of fear of the future and would disappear if they had any solidly based reason to believe that large markets, high levels of production, sales, and jobs would continue as a normal characteristic of the economy rather than as a mere wartime phenomenon.

By providing an assurance that there will be sustained full employment, we shall be able to counteract or eliminate this fear of the future and thereby remove one of the most dangerous inflationary factors.

The lure of boom and bust profits has no place in civilized society. Rather than boom-time windfalls and depression bargains, the great majority of American businessmen and investors would prefer the stable profits to be obtained under an expanding economy based upon continuing full employment.

The fear of a tight labor market is likewise based upon an outmoded philosophy. It stems from the thought that wages must be kept down at all costs, and organized labor must be "curbed." In part, this reflects the fear of depression and the desire to build up huge profit reserves to serve as a cushion during the depression.

Sustained full employment in peacetime does not mean the same kind of labor markets we have had during the war. Skilled workers who have served in the Army and Navy will soon be available. Certain types of unskilled and "marginal" labor will, to a considerable extent, voluntarily retire from the labor force. Above all, under conditions of continuing full employment, both the demand for labor and the desire to work will not be nearly so great as it has been during the war.

Those who want a "safe" pool of unemployed overlook the dynamics of our economic system. They fail to see that it would be impossible to hold any pool of unemployed to safe proportions. Men and women who are unemployed—whether they number 4,000,000 or 8,000,000—are poor customers for the goods and services produced by

American industry and agriculture. Their very inability to purchase enough goods and services would precipitate a deflationary spiral that would rapidly increase the number of unemployed and bring on a major depression.

The argument that full employment would destroy individual initiative overlooks the fundamental fact that it is the desire for betterment which is the driving force in our free enterprise system. The full employment bill does not aim to assure improved status, or increased wages for individual employees; these goals can be obtained only through their individual and joint efforts. Under sustained full employment, individuals who fail to perform could and would be fired. Fear would still serve as a motive for individual initiative—but it would be the fear of "not getting ahead," rather than the fear of not having an opportunity to get ahead. The desire for advancement and improvement, on the other hand, would provide a far greater stimulus to individual initiative and to hard work than has yet been seen in our past history. Just as there is nothing that can stultify initiative more than the lack of opportunity, sustained full employment would mean an unprecedented expansion of initiative in all forms of labor and enterprise.

The belief that the prevention of mass unemployment is sufficient is merely another echo of the defeatist dogma that full employment is impossible under our economic system. Those who advance this thesis ignore the fact that a breadwinner who is unemployed will not obtain food and clothing for his family out of the thought that mass unemployment has been prevented. The fact that he is in a statistical minority will give little comfort to a veteran of this war who finds that he has no opportunity for useful and remunerative employment.

C. THE GOVERNMENT'S RESPONSIBILITY SHOULD BE LIMITED TO THE RELIEF OF DESTITUTION

First, it is argued that relief is cheaper. This approach has been ably presented to your committee by Mr. Rufus Tucker, chief economist of the General Motors Corp. (p. 364 of the record):

> If the Government is asserted to be under an obligation to provide work for citizens, that means that the taxpayers as a whole are under an obligation to pay out money irrespective of the value of what they get for it. The taxpayers collectively may have a moral obligation to keep any citizen from starvation or excessive suffering, but it may frequently happen that that obligation can more adequately and cheaply be fulfilled in other ways than by providing jobs.

Second, it is argued that since relief is inevitable we may as well get used to the thought.

It is stated that rather than have an assurance of continuing full employment, we should plan now to have (1) a certain amount of home relief; (2) a certain amount of work relief; (3) a certain amount of public works and other forms of public investments and expenditures.

In this connection, attention is called to the statement on unemployment relief by Mr. Ira Mosher, president of the National Association of Manufacturers (p. 1223 of the record). After presenting a so-called program for permanent prosperity, this statement then proceeds to set forth the following principles to be used to cope with "depression unemployment":

> That if depression unemployment occurs, which would be unemployment in excess of what the records indicate is merely the "normal" volume of frictional unemployment, then the Federal Government shall make such contributions to the States as necessary to enable them to provide the needed relief. The maximum of such contribution should not exceed a dollar-for-dollar matching of the amount contributed by the States.
>
> That in using these funds each State shall make payments based upon the average per capita income of that State, with allowance made for the need of the recipient.
>
> That it shall be provided that the unemployment aid may be given either in cash or in kind, or either as relief or for useful work performed, as determined to be in the best interest of the recipient by the local relief administration.

The answer

The argument that relief is cheaper than full employment ignores human values. It sets corporate reserves on a level above the health and dignity of the human being. It sets the fear of heavy taxation above our country's obligation to assure the existence of sufficient employment opportunities for all of those who fought this war, whether on the battlefield or in the factories.

The argument that relief is cheaper than full employment also ignores economic facts. In time of depression, the provision of relief may be cheaper than providing jobs. But relief is not cheaper than the prevention of depression. In fact, if we allow another depression and then adopt a relief program, we shall be spending billions of dollars that might otherwise be saved. An ounce of prevention is cheaper than a pound of cure.

The argument that relief is inevitable merely restates the theme that full employment and free enterprise are incompatible. Those who support the full employment bill have implicit faith in the strength and vigor of free enterprise.

D. THE RIGHT TO AN OPPORTUNITY FOR EMPLOYMENT SHOULD NOT BE WRITTEN INTO LAW

This argument takes three forms.

First, it is stated it cannot be enforced through the courts.

Second, it is stated that a statutory declaration of the right to an opportunity for employment would lead people to expect too much.

Third, it is stated that the right to employment is communistic. In attacking the bill, for example, Merwin K. Hart, president of the National Economic Council, New York (p. 1135 of the record) quotes from article 118 of the Constitution of the Union of Soviet Socialist Republics. This article states that the citizens of the Soviet Union have:

> the right to work, that is, are guaranteed the right to employment and payment for their work in accordance with its quantity and quality. The right to work is insured by the forces of Soviet society, the elimination of the possibility of economic crises, and the abolition of unemployment.

The answer

The statutory enunciation of the right to an opportunity for employment does not imply redress through the courts. As stated elsewhere in this report, the redress for individuals who feel that they do not have the opportunity to exercise this right is through action either to have their Government improve its economic program, or to obtain an approved administration of the Government.

The argument that the right to employment opportunity would lead people to expect too much is, like most of the opposition to the full employment bill, based upon the mistaken belief that sustained full employment and free enterprise are incompatible. The supporters of the full employment bill believe that the statutory enunciation of the right to employment opportunity is fundamental and that it would lead people to look forward to obtaining no more than what they have a just right to obtain.

The argument that the right to employment opportunity is communistic is another expression of lack of faith in our economic system. In answer to this argument before your committee, the Senator from Utah, Mr. Thomas, made the following statement:

> In the beginning of the discussion of this bill it was charged that the full employment idea was taken from the Russian Constitution. The Russian Constitution does contain the concept of the right to work and the right to a job, but the idea was not taken from the Russian Constitution, although it is there; and the concept as expressed in our full employment bill and the concept as would be expressed in any American consideration would be just as different from the concept as it is worked out under a communistic-sponsored constitutional theory. It should be remembered that the basic difference between the American constitutional concept in doing for its people and doing for the individuals is that in America we have all the time the welfare of the individual person in mind.

Under the full employment bill, the free exercise of the right to an opportunity will be assured by "the existence at all times of sufficient employment opportunities for all Americans able to work and desiring to work"—in other words, by continuing full employment. It is assured by the effectiveness of our democratic form of government, the steady growth of the productive forces of private competitive enterprise and the willingness of business, labor, agriculture, State and local governments, and the Federal Government to work together in the common interest of all the people.

E. NO NEED FOR ACTION BECAUSE WE FACE A NEW ERA OF PROSPERITY

The argument is made that the full employment bill is unnecessary because natural forces are moving in the direction of full employment and full production.

Mr. Ira Mosher, president of the National Association of Manufacturers, names the following "prosperity factors" in the reconversion period (p. 701 of the record).

> (*a*) The greatest productive organization in the history of our Nation.
>
> (*b*) The greatest reservoir of new practical ways for increasing productive efficiency in the history of our Nation.
>
> (*c*) The greatest skilled-labor force in the history of the Nation.
>
> (*d*) The greatest backlog of demand for goods and services in the history of our Nation.
>
> (*e*) The greatest accumulation and the widest distribution of buying power in the hands of the public in the history of our Nation.
>
> Such factors—

states Mr. Mosher—

> spell an almost inevitable period of prosperity. Though we must anticipate certain disruptions and hardships during the transition period * * * it will take

only a very short while until industry again is equipped to satisfy the Nation's pent-up demands, thus producing enough goods to provide employment for all our citizens who want to work.

The answer

It is noteworthy that nobody who has propounded this argument has maintained that the postwar prosperity to be generated by the natural forces of accumulated demand and other factors will be permanent. Even the most ardent dramatists of the coming "new era of prosperity" admit that sooner or later such natural forces, will, if left to themselves, end in collapse and depression.

In any case our productive forces have increased so vastly during the war that it is unlikely that deferred domestic demand and the demands of other nations for the purposes of relief and reconstruction can be relied upon for more than an extremely brief period. It would be the height of folly to allow the existence of temporarily unfilled demands to lull us into a do-nothing attitude with respect to the future.

F. THE POLICY ON FEDERAL INVESTMENT AND EXPENDITURE WOULD MEAN ENDLESS DEFICIT FINANCING

First, it is argued that a huge gap would mean a huge volume of Federal investment and expenditure.

Those who make this argument usually assume an astronomical gap between the level of economic activity needed for full employment and the prospective level of economic activity. They generally suppose a situation in which a gross national product of $200,000,000,000 is needed and in which expenditures by business, consumers, and State and local governments add up only to $140,000,000,000. After having made these assumptions, they then allege that the Federal Government, under the full employment bill, would have to make up the difference between $200,000,000,000 and $140,000,000,000—that is, provide $60,000,000,000 worth of Federal investment and expenditure.

Second, it is argued that inflated economic goals would mean huge expenditures. In other words, the higher we aim in establishing goals for employment, production, and consumption, the greater would be the possible liability of the Federal Government in supplying Federal investment and expenditure for the purpose of attaining these goals.

The answer

The purpose of the full employment bill is to prevent a "gap." Those who are so quick to assume the inevitability of a serious deficiency in production and consumption are thereby confessing their lack of faith in our free enterprise system.

Moreover, under the full employment bill the first resort is not to Federal investment and expenditure. Basic emphasis in the full employment program called for by this measure is upon private enterprise and upon activities by State and local governments. Federal investment and expenditure is specifically to be used only to the extent that the objectives of the bill cannot otherwise be reached. As explained in detail in part III of this report, unmistakable emphasis is placed upon the necessity of reaching these objectives with the minimum resort to Federal investment and expenditure.

Those who make this argument also overlook the stimulating effect that Government expenditures have upon private activity. A small amount of Federal investment and expenditure can, if properly planned, stimulate a large amount of business investment and consumer purchases.

There is no reason why our goals should be inflated. Under the full employment bill the goals on employment, production, and consumption transmitted by the President are to be studied by the Joint Committee on the National Budget. The Joint Committee is under obligation to submit a joint resolution to the Congress which would indicate endorsement, modification, or rejection of the President's Budget. This means that the President's goals on employment, production, and consumption could, if they are regarded as excessive, be modified or rejected. In the course of this process, those who are worried about the danger of inflated goals will have a full opportunity to present their views to both the Joint Committee and the Congress as a whole.

G. THE NATIONAL PRODUCTION AND EMPLOYMENT BUDGET CALLS FOR IMPOSSIBLE FORECASTS

First, it is stated, it is impossible for anyone to foresee the future.

Second, it is alleged that the Government's estimates on the Federal Budget have always been wrong.

Finally, it is stated that the President's message might itself help to produce a boom or a depression.

The answer

The full employment bill can be operated on the basis of short-range projections of current trends. It is incorrect to assume that precise long-range forecasts are called for in this measure. The term used in the bill is "current and foreseeable trends."

In this connection, it should be pointed out that the bill calls for a quarterly report to Congress. This means that the President would have to review both the economic goals and his appraisal of current trends in the light of the most recent economic information.

In recent decades every sensible business organization has operated on the basis of forecasts of current trends. To do otherwise would be to jeopardize the capital of those who have invested in the business.

In recent years the Government has amassed a great wealth of economic information. Not to use this information in an effort to maintain economic stability would be to jeopardize the welfare of those whom the Government has been set up to serve.

Furthermore, it is incorrect to draw a parallel between the estimates called for in the full employment bill and the Government's past estimates on the Federal Budget. Broadly speaking, the estimated Federal expenditures as contained in the Federal Budget represent the requests of the President for appropriations within the framework of congressional policies as embodied in existing legislation. Therefore, a difference between estimated and actual Government expenditures may reflect a change in Federal policies as enacted by Congress. In addition, the Budget estimates of prospective Federal expenditures have not always aimed to present a complete summary of the President's proposals for Government expenditures. For instance, the

Budget message of 1935 (p. VIII) states explicitly that the estimates do not include certain expenditures which will be necessary in order to provide additional relief. A rough estimate of the supplementary appropriations that might be needed is, however, given in the text of the message. Thus the estimates contained in past Federal Budgets represented at most what it would cost to implement existing congressional policies. Owing to the accepted mechanism of supplementary appropriations there was no particular incentive to make them complete even in this respect. A difference between estimated and actual Government expenditures is accordingly due as much to the fact that these estimates were not intended to be forecasts in the sense in which this term is commonly used, as to errors in forecasting.

Moreover, the most important reason for the inaccuracy of past estimates of prospective Federal expenditures has been the existence of widespread unemployment. Another factor was the absence of any general planning framework as contemplated in the full employment bill. Since the purpose of the full employment bill is to assure continuing full employment and to establish an intelligent procedure for appraising Federal expenditures against the background of the entire economy, the enactment of this bill will contribute to future accuracy in estimates on Federal expenditures.

Finally, there is no basis whatsoever for stating that under the full employment bill the President's message would itself precipitate either a boom or a depression. It is actions more than words that affect the level of production and employment. If, in the National Budget, a President should indicate that current trends are moving in the direction of a boom, his statement could help precipitate a boom only if there were a general realization that there would be no effective action to counteract the trend toward boom. But if it were known that the Government will take measures to keep the economy on an even keel, there would be no occasion for such psychological reactions. There will be no inflationary scramble to participate in hypothetical booms which one knows will not be allowed to materialize. There is no reason to restrict business operations because of a hypothetical depression which one knows will in fact be prevented.

H. FULL EMPLOYMENT WITHOUT MEASURES THAT WOULD CONTRIBUTE TO ECONOMIC WARFARE IS UTOPIAN

The argument is made that if we are to increase employment through foreign trade we must take measures which may hurt other countries, either by depriving them of markets or by depriving them of sources of raw materials. Since the full employment bill calls for full employment without resort to measures or porgrams that would contribute to economic warfare among nations, it has been stated that the bill is utopian.

The answer

The language of section 2 (e) as now written was framed to meet the constructive criticisms of many, including the Secretary of State, who wished to make it clear that United States domestic policy would not be so written as to conflict with world peace and security. In view of our commitments under the San Francisco Charter to pursue a full employment policy, and our moral obligation as a leader among nations in the postwar world, such fears must be dismissed. Any domestic policy that would injure the legitimate interests of other peaceful nations must be rejected.

The argument that full employment cannot be achieved except through measures that contribute to economic warfare among nations is doubly defeatist. It is based, not only upon lack of confidence in our capacity to develop our domestic markets, but also upon lack of faith in the ability of the United States and other nations to work together as good neighbors rather than as deadly enemies.

I. ACTION ON THE BILL SHOULD BE DELAYED

First, it has been argued that the bill is not a reconversion measure and that its early passage could have no effect upon the immediate problems from war to peace.

Second, it is asserted that even if the bill were to be enacted now it could not be effective until the fiscal year of 1947.

The answer

Both of these arguments are without foundation.

The policy and procedures provided by the bill are essential to the immediate reconversion program. As the Honorable John W. Snyder, Director of War Mobilization and Reconversion, has stated:

> The mechanism by which we will attain our long-range goal should be established now. If this is done, present policies can readily be integrated with long-term measures and the new machinery can be functioning effectively by the time we have finished our immediate task of reconversion.

Further, the bill will become effective immediately upon its passage. The policy set forth in the bill will become binding as soon as the measure is signed by the President. As soon as is feasible thereafter, the Joint Committee on the National Budget would be established. If the bill is enacted promptly, the President would transmit to Congress his National Production and Employment Budget at the beginning of the next session of Congress in January 1946. This National Budget would become of immediate use in the operations of the Congress and as an aid to business, agriculture, labor, and State and local governments.

J. THERE IS NO ASSURANCE OF PROPER CONGRESSIONAL ACTION WITHIN THE FRAMEWORK OF THE FULL EMPLOYMENT BILL

It has been argued that the bill is meaningless because neither this nor future Congresses will carry out its policies.

It is stated, first, that there is no assurance that there will ever be a vote on a joint resolution to be submitted by the Joint Committee on the National Budget.

Second, it is stated that there is no assurance there will be implementation of the full employment bill through proper action on specific measures.

The answer

It is inconceivable that a Joint Resolution setting forth approval, modification, or rejection of the President's full employment program would not be called up for action on the floor of each House. This is the normal procedure on all important measures. A resolution of this character would certainly not be allowed to die on the calendar.

The policies set forth in the bill will become binding as soon as it is signed by the President. Naturally, either this or any future Congress would always have the power, through subsequent amendments, to weaken or strengthen the policy set forth in this legislation. This does not mean the policy is not binding. The American people will regard the enactment of the bill as a firm commitment.

However, it enactment would not mean a commitment to adopt any specific type of full employment program or any specific set of legislative measures. This could not be provided for in a long-range bill which aims at establishing general policies and procedures for the development of specific programs and specific measures in tune with changing needs and changing conditions.

Under the bill, the President and the Congress jointly have the responsibility of working out our full employment program and the specific measures that add up to full employment. If they are not successful in their efforts, the people of the country will put the blame on those whom they regard as responsible for the failure.

VII. OPPOSITION AMENDMENTS TO THE FULL EMPLOYMENT BILL

Because of the widespread support for the full employment bill throughout the country, the opponents of the measure have ceased to argue that it should be defeated.

Knowing that it will be enacted in one form or another, they now favor amendments which would eliminate or weaken one or more of its basic principles.

The major amendments of this type deal with the right to employment opportunity, the Government's responsibility to assure continuing full employment, the policy on Federal investment and expenditure, and the National Production and Employment Budget.

A. AMENDMENTS TO DELETE THE RIGHT TO EMPLOYMENT OPPORTUNITY

A number of amendments have been offered to delete entirely the concept of "right" to employment opportunity.

When the bill was reported to the full committee by the subcommittee that had held the hearings on it, section 2 (b) declared that—

> All Americans able to work and desiring to work have the right to an opportunity for useful, remunerative, regular, and full-time employment.

Section 2(c), in affirming the Government's responsibility to assure continuing full employment, began with—

> in order to assure the free exercise of the right to an opportunity for employment set forth above. * * *

In the full committee, section 2 (b) was amended so that the words "have the right" were supplanted by the words "are entitled."

No change, however, was made in section 2 (c) which still begins with the words—

> in order to assure the free exercise of the right to an opportunity for employment set forth above. * * *

Other amendments would confuse the issue by adding additional rights. Any amendment of this type should also be defeated.

B. AMENDMENTS TO REMOVE THE ASSURANCE OF CONTINUING FULL EMPLOYMENT

A number of amendments have also been proposed to delete or quality the Federal Government's responsibility to assure continuing full employment as set forth in section 2 (c).

The most important of such amendments would substitute a statement that the Federal Government should, consistent with its needs, obligations, and other activities, encourage action that would help the objective of full employment. Such an amendment would provide merely a weak and pious hope that full employment be attained. It would cripple the commitment contained in the bill.

In this connection, the committee regards the following statement with respect to "assure" made by the Honorable Fred M. Vinson in his testimony on this measure, as particularly relevant:

> Let there be no misunderstanding as to the meaning of the word "assure." It is more than a mere pious hope—a mere paper promise to be kept to the ear and broken to the hope. It means the assumption of a definite moral responsibility. It does not, of course, mean that every individual will be led by the hand from one job to another.

Other proposals, by inserting legalistic verbiage in various parts of section 2(c), would serve to confuse the issue and impair the Government's responsibility.

C. AMENDMENTS TO WEAKEN THE POLICY ON FEDERAL INVESTMENT AND EXPENDITURE

Four amendments have been proposed to weaken the policy on Federal investment and expenditure set forth in section 2(d), which reads as follows:

> To the extent that continuing full employment cannot otherwise be assured (such program shall) provide such volume of Federal investment and expenditure as may be needed, in addition to the investment and expenditure by private enterprises, consumers, and State and local governments, to assure continuing full employment. Such Federal investment and expenditure, whether direct or indirect, or whether for public works, for public services, for assistance to business, agriculture, home owners, veterans and consumers, or for other purposes, shall be designed to contribute to the national wealth and well-being and to stimulate increased employment opportunities by private enterprises.

[S. Rept. 583, pt. 2, 79th Cong., 1st sess.]

ASSURING FULL EMPLOYMENT IN A FREE COMPETITIVE ECONOMY

SEPTEMBER 24 (legislative day SEPTEMBER 10), 1945.—Ordered to be printed

Mr. RADCLIFFE (for himself, Mr. TAFT, Mr. THOMAS of Idaho, Mr. BUTLER, Mr. CAPPER, Mr. BUCK, and Mr. HICKENLOOPER), from the Committee on Banking and Currency, submitted the following

MINORITY VIEWS

(To accompany S. 380)

The undersigned concur fully in the stated goal of the so-called full-employment bill. We believe in the necessity of adopting every sound measure designed to maintain full employment and prevent depression. We believe that a comprehensive and carefully planned program should be adopted by the Federal Government looking to the maintenance of full employment. We, therefore, approve the provisions in the bill directing the President to submit a national budget and program to prevent unemployment and establishing a joint congressional committee to consider the President's program. We disagree with some of the methods prescribed to achieve the goal of full employment and believe that, if adopted, far from preventing unemployment they would only lead to inflation followed by depression and unemployment.

While this report is entitled "Minority Views" we wish to call attention to the fact that several amendments similar to those which we suggest, later, were voted down by a vote of 9 to 9, and others by the slender majority of 10 to 9. We think it fair to say that on the question of eliminating the provisions which require compensatory deficit spending, the committee is evenly divided.

DESCRIPTION OF THE BILL

(a) *Statement of policy*

The proposed bill consists of three parts. Section 2 is merely a declaration of policy which cannot be binding on any future Congress or even on this Congress. In fact, section 6 makes it clear that it is not an authorization for any particular spending project or other program. If any feature of the program submitted by the President is not authorized by existing law, it would be necessary to pass a special enabling act before it could be adopted. We question the wisdom of Congress adopting declarations of policy having no legal effect, but there is some psychological advantage at this time in affirming our interest in securing full employment. Nevertheless, we cannot let the bill go by default and subscribe to a declaration of policy containing unsound principles, merely because it has no legal effect.

(*b*) *Duties of President—National Budget*

Section 3 directs the President to submit to Congress a great deal of statistical information and a general program for assuring continuing full employment together with such recommendations for legislation as he may deem necessary or desirable. He is required, however, to follow the statement of policy contained in section 2, including the compensatory public spending program set forth in 2(d)(3). We believe the President should submit a comprehensive economic program to Congress together with the best statistical information which may be available, dealing with the future condition of employment and business activity. But he has just as much authority to do so without this bill as after it is passed.

Section 4 provides that the National Budget shall be prepared under the general direction and supervision of the President after proper consultation. We suggest that since the budget requires a tremendous amount of economic planning, and since the whole future policy of the Government may be affected thereby, it might be desirable to create the Office of Director of the National Budget and require the Director to be confirmed by the Senate. Planning of this economic program is extremely complicated and cannot possibly be done by the President himself. It should be done by an identifiable group, responsible to the Congress and the people, as well as to the President, and not by an anonymous group of economic planners.

(*c*) *Congressional joint committee*

Section 5 establishes a Joint Committee on the National Budget to be composed of 15 members of the Senate and 15 members of the House of Representatives to study the national budget submitted by the President and make definite findings and recommendations regarding each feature of the President's program. We believe there should be such a joint committee studying the effect of proposed legislation on economic stability. We question somewhat whether the standing committees will pay much attention to the report of the joint committee, but it should be helpful by revealing to these committees and the individual Members of the Senate the relationship of each measure to an over-all economic program.

OUR OBJECTION IS TO THE POLICY OF UNLIMITED GOVERNMENT SPENDING

Our objection, therefore, is not to the purpose of the bill with which we fully sympathize, nor to the planned approach to an economic program, nor to the establishment of a joint committee, but to the particular policy which is endorsed by Congress and enjoined upon the President as a necessary part of any plan he submits.

THE REAL PROGRAM OF THE BILL

The exact nature of the program is more fully set forth in the original bill later rewritten by its authors, but still appearing on pages 3, 4, 5, and 6 of the print, in section 3, paragraphs (a) to (g). The

President is required on the first of each January to submit an estimate of the number of employment opportunities needed for full employment. This figure according to some administrative calculators would be 60,000,000 jobs. It is an extremely uncertain figure, and a wide difference of opinion about it exists. According to Mr. Altmeyer, Chairman of the Social Security Board, there is not even an accepted statistical basis for estimating the number of people who are unemployed in any particular time. Therefore, any estimate is extremely uncertain and unsatisfactory as the basis of such an exact calculation as is later required. Nevertheless, a guess can be made.

Second. The President is required to estimate "the production of goods and services at full employment, and the volume of investment and expenditure needed for the purchase of such goods and services," that is, the national production needed to put to work the labor force first estimated. According to optimistic inflaters, we would estimate $200,000,000,000 of goods and services to produce 60,000,000 jobs. This, again, is a very difficult estimate to make. It depends on the level of prices. It depends even more on the average wage received by workers. If, for instance, all workers are to receive the same for 40 hours of work in time of peace which they received for 48 hours a week of work in the latter part of the war, this estimate probably would be $200,000,000,000. If the estimate is made at present wage rates, it would be closer to $160,000,000,000. We do not believe that these estimates are sufficiently definite to justify the President in basing upon them any definite volume of Federal investment and expenditure.

Third. The President is required to estimate what the volume of production of goods and services and the volume of investment and expenditure will probably be during the ensuing fiscal year. Here he is dealing with a somewhat more tangible idea, but it is almost impossible to make an accurate estimate 18 months ahead. Think how wrong any estimate for 1930 would have been, if made in 1929. Think how many times the President has to correct his own budget of expected expenditures of the Federal Government, a much more tangible concept.

Fourth. The President under section 3(a)(3) is required to submit a program in accordance with the policy outlined in section 2 for assuring full employment. That is, the program must make up the estimated deficiency between the amount of production desired and the estimate of expected business volume. This program is permitted by section 2 to cover every conceivable field of Government activity. It is required to stimulate and encourage private enterprise to increase its activity and to assist State and local governments to do the same. Then the President has to make an estimate of how much his economic program will cause private enterprise to make up the deficiency between the desired goal and the estimated reality. Of course, this is almost an impossible estimate because it is so extremely difficult to judge in dollars or jobs the effect of any general measure, such, for instance, as a tax bill or currency measure.

Finally, when this estimate is made, the program must "to the extent that continuing full employment cannot otherwise be assured, provide such volume of Federal investment and expenditure as may be needed, in addition to the investment and expenditure by private enterprise, consumers, and State and local governments, to insure continuing full employment." This is the so-called compensatory spending theory, advanced by Lord Keynes, Stuart Chase, Sir William Beveridge, and Mr. Henry Wallace.

In brief, the President is required to make estimates 18 months ahead on the basis of which he must recommend an exact volume of Federal investment and expenditure considered to be necessary to provide a national income of a volume sufficient to provide a job for every estimated member of the labor force at a cost, according to General Fleming, of the Public Works Agency, of roughly $2,000 apiece. The authors of the bill emphasize the fact that efforts should be first made to stimulate private enterprise, but every government has always made such efforts, and yet they have not solved the problem of preventing depressions. We hope we know more now of economic forces, but there is still a complete lack of agreement on many economic principles even among economists.

The public spending required by this policy might amount in a single year to $65,000,000,000. (See pp. 177–179 of Mr. Wallace's book Sixty Million Jobs). During the thirties, we frequently had 10,000,000 unemployed according to some estimates in spite of all the assistance and encouragement given to private enterprise. This would have required the immediate expansion of the Federal Budget in a single year by $20,000,000,000.

In spite of the protests of the authors of the bill, there can be no doubt in our opinion that the bill adopts public spending as an ultimate panacea for all economic troubles. It is based on the assumption that if we are not ingenious enough to suggest something else, we can always fall back on unlimited public spending. That assumption is false and dangerous.

PUBLIC SPENDING IS PRESCRIBED AS A PANACEA REGARDLESS OF ALL OTHER CONSIDERATIONS

Furthermore, this spending policy is definitely prescribed regardless of all other considerations of national policy. The approach of a war might make it wise to husband all further ability to incur debt. Further increase in debt might shake the confidence of the business world so much that it would destroy more jobs than it created. Spending might mean a dangerous inflation of prices which would decrease the standard of living of those who were employed, and all others. It might necessitate a regimentation of the people by price control, wage control, labor control, business control, in order to prevent inflation. But, regardless of all other considerations, this bill approves the policy of all spending necessary to create a theoretical number of jobs at same theoretical level of wages. After all, there are some things more important than employment. One of them is national freedom. One of them is freedom of the individual.

Of course, government can guarantee full employment if it is prepared to set up a totalitarian government. Hitler did it. Stalin does it. But we believe that while a socialist state gives everyone a job, it does so, first, at a much lower standard of living, and, second, at a complete sacrifice of personal liberty.

This compensatory spending theory, that any estimated deficiency in the National Budget must be made up by "Federal investment and expenditure," is the only absolutely definite requirement in the whole bill. There is no specific suggestion, otherwise, to combat unemployment. In short, the bill adopts the old theory that we can spend ourselves into prosperity and that deficits are a blessing in disguise. The importance attached by the authors to the first sentence in section 2(d)(3) is shown by their determined opposition to every amendment aimed at modifying the policy. It is and has been stated by them to be the heart of the bill.

COMPENSATORY SPENDING THEORY IS UNTRIED, WILL VASTLY EXPAND FEDERAL POWER, AND WILL DESTROY FREEDOM ITSELF

First. This compensatory spending theory has never been tried in any nation anywhere. Certainly Congress should approach it with great care before making it a national policy. Unquestionably, Government spending can for awhile create full employment as it did during the war. But during the war it accomplished its purpose at the cost of a deficit of $50,000,000,000 a year. The adoption of such a policy in peace, even with a smaller deficit, will rapidly increase the national debt to a point where even the interest could not be paid.

Second. The adoption of such a policy, even for 1 year, would result in continued Federal spending over many years, causing an inflation of prices and an artifical boom, and then the very depression and unemployment we are trying to avoid. Federal spending on any such volume as is suggested cannot be undertaken one year and terminated the following year. Vast organizations have to be set up to distribute the money. Vested rights are created in promises and policies. If $20,000,000,000 of Federal money is spent one year in this country and succeeds in priming the pump, it cannot be cut off for a number of years and would lead to a rapid inflation of prices. In time of war we can only prevent inflation by rigid regimentation of all business, of prices, and of wages. We do not think that such regimentation will succeed in America in peacetime, and if it could, we think it would threaten the very freedom which our form of government is aimed to secure and would certainly destroy the initiative of free enterprise in providing jobs.

The alternative to a rapidly increasing debt is the levying of heavy additional Federal taxes. Here, again, the remedy would discourage free enterprise from expanding to provide the necessary job opportunities.

In our opinion, Government spending is one of the steps which may be taken in time of threatened depression to alleviate the situation. But it is only one of many and should not be made the lazy Government's feather bed to cure every difficult problem. Spending must be within such volume that there is no substantial increase in public debt which cannot be made up by surplus from taxes in prosperous years.

It is said that the refusal to make up the theoretical deficit by public spending means the starvation of the unemployed. Of course, this is not true. Our policy requires that everyone in this country receive a proper standard of food, clothing, housing, and medical care, and we are making substantial provision to carry out that policy. If unemployment exists, many persons live with their families or expend their savings without any application to the Government for aid. Many persons draw unemployment compensation such as that we have just provided for the unemployed and for the veterans. Others are provided with work relief or direct relief. And in the meantime, the Government should be doing everything possible to stimulate the incentive of private industry to greater production. But unlimited Government spending will only keep many people unemployed for a longer time and will ultimately defeat its own ends.

A good many people carelessly assume that public works can absorb any number of unemployed. The testimony before the committee tends to show that an expenditure of $5,000,000,000 in a single year is probably about the limit we can expect for worth-while public works. That would put two and a half million men to work. In the private enterprise machine, we are planning to put more than 50,000,000 men to work. If we can tune up that machine and keep it running and increase its activity by 10 percent, we will put more men to work than the largest public works program conceived of. And one of the necessary lubricants to keep it running smoothly is a reasonably sound fiscal policy. It is important to adopt such other Government policies that there will be a proper incentive of private industry to expand; a proper relationship between wages, prices, and the cost of living; a proper relationship between farm prices and industrial prices; and a proper relationship between savings and consumer expenditures. There are many other elements which can be indirectly affected by Government policies dealing with taxation and agriculture, credit, and controls or relaxation of controls. Public spending is only one of many policies, not by any means the most important and not by any means a catch-all solution. The machine won't run any better if you pour in more gasoline while you throw monkey wrenches in the machinery.

There is another objection to unlimited Federal spending. Every time a new method is found to spend Federal money, it requires a great extension of Federal power which is never easily relinquished. If public works cannot supply enough jobs, the President would have to recommend that the Government go into business to compete with private enterprise. This in itself would discourage any further expansion of private enterprise in that field because no one can compete with a billionaire Government. If we adopt the spending theory the mere fact that a measure provides for pouring out Federal funds thereby becomes a sufficient recommendation for its adoption and all critical judgment of the merits of the particular plan is discouraged. In other words, the adoption of the spending theory means the indefinite expansion of Federal regimentation over States, local governments, and private business.

The bill contains numerous expressions of lip service to private enterprise. Considering its origin, we may well question the good faith of these professions. For while the bill professes an interest in the encouragement of private enterprise, the basic policy recommended is one which will inevitably destroy private enterprise.

PROPOSED AMENDMENTS

The undersigned members of the committee therefore recommend the following amendments designed to remove the objections which we have stated. If they are adopted we hope there can be a united support for the bill and its machinery. It will then provide for an economic program which may embrace every possible policy to secure prosperity and full employment. It will provide for the submission of such a program by the President, and its consideration and analysis by a joint committee of Congress. It will do everything that can be humanly done to prevent another serious depression. We realize, like the majority, that we must do everything possible to avoid a recurrence of the conditions which existed in the thirties.

With relation to the compensatory spending provisions, we recommend the two following amendments. The first eliminates the theory that all deficiencies, no matter how large, shall be made up by Federal investment and expenditure. It substitutes the idea that Federal spending shall only be a remedy to the extent that it is consistent with the needs and obligations of the Federal Government and other essential considerations of national policy.

The other amendment proposes that there be no planned program which contemplates a deficit over a period of 6 years, although it may contemplate a substantial deficit in any one or more years. It suggests that deficit spending be limited by the requirement that over a sustaining period it be met by a system of taxation which, of course, must not be so heavy that it would itself reduce employment.

A

Amendment to S. 380 proposed by Senators Radcliffe and Taft:

On page 14 strike out lines 20 to 24, inclusive, and line 25 through the word "such", and insert:

> (3) in furtherance of the objective of full employment and to supplement investment and expenditure by private enterprises, States, and local governments, the Federal Government shall, consistent with its needs, obligations, and other essential considerations of national policy, proceed with a comprehensive program of public works and other expenditures so planned that they can be speeded up and enlarged when other employment decreases and retarded when full employment is otherwise provided.

B

Amendment to S. 380 proposed by Messrs. Radcliffe and Taft:

On page 15, line 15, insert the following:

> *Provided*, That any program of Federal investment and expenditure for the fiscal year 1948 or any subsequent fiscal year when the Nation is at peace shall be accompanied by a program of taxation designed and calculated to prevent any net increase in the national debt (other than debt incurred for self-liquidating projects and other reimbursable expenditures) over a period comprising the year in question and the ensuing 9 years, without interfering with the goal of full employment.

We have had some doubt regarding the statement in section 2 (c) that "the Federal Government has the responsibility to assure continuing full employment." The word "assure" is an ambiguous word which might be interpreted to mean that a legal obligation is assumed to every man to give him a job. However, the authors of this bill have made various statements to the effect that this is not the meaning of the word and that, in effect, it is only a statement of policy. Mr. Vinson refers to it as creating a moral obligation on the Federal Government to provide jobs. Senator Murray says that it does not create a right in any individual to demand a job for himself from the Government. We have accepted these interpretations of the authorities of the bill as clarifying its interpretation, but we still feel that it may gravely mislead the public at large. Those who are not lawyers, or familiar with the technicalities of the law, are likely to feel when the bill is passed that if they cannot get jobs which they consider suitable, they can legally demand such jobs from the Federal Government. Such, of course, is not the case. Some amendment should be considered.

The bill entirely neglects the situation of the farmer or the individual businessman and deals solely with those seeking employment. Adequate prices are the wages of the farmer, but no declaration is contained in the bill to protect them. We note that the American Farm Bureau Federation is definitely opposed to the bill in its present form. As the very least that might be done, we recommend that the following amendment be adopted with reference to this omission.

C

Amendment to S. 380 proposed by Messrs. Radcliffe and Taft:

On page 12 line 26 strike out the period, insert a comma, and add:

or to earn a remunerative living as an independent operator in agriculture, comcomerce, industry, or the professions.

George L. Radcliffe.
Robert A. Taft.
John Thomas (of Idaho).
Hugh Butler.
Arthur Capper.
Douglas Buck.
Bourke B. Hickenlooper.

[From "Congress Makes a Law"]

CONFERENCE AND COMPROMISE

(By Stephen K. Bailey)

> * * * the conference committee strikes a deficient compromise balance according to time-honored custom.—Wilson, Congressional Government, page 164.

The institution of the conference committee is one of long standing. By the middle of the 19th century, according to Ada McCown,

> the custom of presenting identical reports from the committees of conference in both Houses, of granting high privilege to these conference reports, of voting upon the conference report as a whole and permitting no amendment of it, of keeping secret the discussions carried on in the meetings of the conference committee, had become established in American parliamentary practice.[1]

After the House of Representatives had passed its verision of H.R. 2202 on December 14, 1945, the next step in the policymaking process was the appointment, in both Houses, of conference managers to whom was given the task of attempting to work out some compromise between the Senate-passed bill and the House substitute. Technically, the task of naming managers is the responsibility of the presiding officer in each House. Actually, the respective standing committee chairman usually make recommendations which are automatically followed.[2] As we have noted, the Senate managers were Barkley, Murdock, Taylor, and Radcliffe, Democrats; and Tobey, Taft, and Buck, Republicans. The House managers were Manasco, Cochran, and Whittington, Democrats; and Bender and Hoffman, Republicans. Senator Wagner was initially appointed to chair the conference, but he was taken sick early in January, and Senator Barkley was prevailed upon to take the New York Senator's place.

PRECONFERENCE MANEUVERS

The joint conference committee meetings began on January 22, 1946, just a year after the introduction of the Senate bill. Between December 14, 1945, and the conference sessions, however, the issue of the fate of S. 380 was by no means dormant. Immediately after the House vote, the liberal House sponsors went to Robert Hannegan with a passionate plea for the Democratic Party chairman to put pressure on President Truman. The feeling of the sponsors was that Truman had let them down in the House struggle, that the party had lost popular prestige among its liberal supporters as a result, and that the only way the President could recoup his lost prestige would be for him to insist that the conference committee report out a strong and progressive full employment bill.

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[1] Ada C. McCown, "The Congressional Conference Committee (1927), pp. 254 and 255, quoted in George Galloway, "Congress at the Crossroads" (New York, 1946), p. 98.

[2] See J. P. Chamberlain, "Legislative Processes" (New York, 1936), pp. 244 and 245.

Simultaneously, the continuations group of the Lib-Lab lobby submitted to Truman a statement signed by all its members, memorializing the President to veto any conference bill which did not measure up to liberal standards.[3]

As a result of these pressures, Truman on December 20, 1945, sent identical letters to Wagner and Manasco stating, "* * * no bill which provides substantially less than the Senate version can efficiently accomplish the purposes intended."[4] On January 3, 1946, Truman followed this up with a radio speech in which he made a "blunt request for real full employment legislation * * * urging voters to let their Representatives know their sentiments."[5] Finally in his message to Congress of January 21, 1946, Truman restated his desire that "a satisfactory full employment bill such as the Senate bill now in conference between the Senate and the House" be passed.[6] The message to Congress, which had been prepared in part by the Budget Bureau, had a number of references to the need for strong full employment legislation,[7] and altogether represented the strongest Presidential pressure for a liberal bill which came from the White House during the entire course of the struggle over S. 380.

These general pressures, however, were not supported by any concrete proposals to the conferees from the executive branch—and thereby hangs a tale. It was the intention of Secretary of the Treasury Fred Vinson to work out a compromise version of the full employment bill which might, with the weight of the President behind it, be accepted in part or as a whole by the congressional conferees. Vinson and his assistants produced such a draft which provided, among other things, for a Cabinet committee under the directorship of the Secretary of the Treasury to replace the House-proposed Council of Economic Advisers. Vinson submitted his draft to Truman, who, in turn, referred it to John Snyder for comment. Snyder, for reasons best known to himself, pigeonholed the Vinson draft, with the result that the conference committee had to proceed without the benefit of an administration-endorsed substitute. It is impossible to say whether or not an administration draft would have had much influence on the conferees, but the friction between Snyder and Vinson was certainly no help to the liberal cause. For a solid month, unified administration pressures were precluded by an internecine feud between two of the President's most powerful subordinates.

In the meantime, the key congressional sponsors of the original full employment bill were not idle. They recognized the fight ahead in the conference, and they attempted to develop a flexible strategy. Roughly speaking, they were bent on preserving as much of the language and substance of the Senate bill as possible, but in line with their decision about the Hatch amendment back in September, they were also concerned with establishing a series of positions to which they might retreat without losing the major battle. What these positions were will become apparent when we proceed to the story of the conference committee in action.

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[3] Union for Democratic Action, "News Flash on Full Employment," No. 7 (Washington, Jan. 8, 1946).

[4] Congressional Record, 79th Cong., 2d Sess., Feb. 6, 1946, p. 1000.

[5] U.D.A., "News Flash."

[6] Message of the President on the state of the Union and transmitting the budget for 1947 (Washington, 1946), p. xxii.

[7] Ibid., see pp. vi, x, xxii, xxiv, xxvii, xxxvii, and lvi.

THE CONFERENCE COMMITTEE IN ACTION

The conference action began on January 22 and ended on February 2. The sessions were held in Senator Barkley's office in the Capitol, and were fairly well attended. Barkley, Taft, Murdock, Tobey, Cochran, Whittington, and Manasco were the most faithful members, although Buck and Hoffman appeared often enough to let their colleagues know that, in the words of an early Marx brothers song, "Whatever it is, we're against it."

The struggle in the conference was between Barkley and Cochran on the one hand, and Congressman Will Whittington, author of the House bill, on the other. Bertram Gross, as Wagner's special representative, was present at every meeting, as were Middleton Beaman of the House Office of Legislative Counsel and Charles Boots of the Senate Office of Legislative Counsel. A few minutes before each conference session, Gross buttonholed Barkley or Cochran or both, discussed with them the strategy of the day, gave them draft proposals—some purely for bargaining purposes—and in the case of Barkley, filled in the gaps in the busy majority leader's knowledge about the history and meaning of the various sections of the bill.

Beaman and Boots tried to keep track of the various agreements and disagreements in order that they might be of maximum assistance in preparing, with the aid of the respective managers, working drafts for each new conference session.

Stalemate.—During the first two conference sessions, the possibility of any agreement between the House managers and the Senate managers seemed remote. Whittington outlined in detail the House objections to the Senate version of S. 380, and made it quite clear that the House managers would not accept any compromise bill which contained the words "full employment" or "the right to work," or which suggested any Government guarantee of employment, or which placed the ultimate emphasis upon Federal spending. Barkley, for the Senate managers, on the other hand, issued a blast against the House substitute and reminded the conferees of the President's warning that only something close to the Senate version would be acceptable to him. Basing his remarks on an analysis of the House substitute prepared by Gross, Barkley outlined both the omissions and the "weaknesses" of each section of the House bill. Granted the adamant attitude of both sides, it was obvious that someone would have to retreat if the conference was to proceed.

The struggle over the declaration of policy.—The deadlock was broken on the third and fourth days of the conference when Gross worked out for Barkley a series of alternative policy declarations, none of which contained the term "full employment," but all of which contained the phrase "conditions under which there will be afforded useful and remunerative employment opportunities, including self-employment, for all Americans who are willing to work and are seeking work." The nature of the first concession on the part of the Senate sponsors is important, for it illustrates the technique used by Gross all the way through the conference debate. If the House managers objected to a particular phrase, Gross went to a thesaurus and juggled words around until he hit on a verbal equivalent. The fact that both sides were ultimately satisfied with most of the compromises made during the conference struggle cannot be understood without an appreciation of this technique. The House managers believed that real Senate concessions were being made with every change in language; the Senate sponsors were satisfied that a rose by any other name smells as sweet.

Perhaps the crowning example of this battle of the thesauruses was the fate of the "spending" provisions. S. 380 as passed by the Senate had included the following words in the declaration of policy:

> SEC. 2. (d) * * * the Federal Government shall * * * develop and pursue a consistent and carefully planned economic program * * * Such program shall among other things * * *
>
> (4) to the extent that continuing full employment cannot otherwise be attained, provide, consistent with the needs and obligations of the Federal Government and other essential considerations of national policy, such volume of Federal investment and expenditure as may be needed * * * to achieve the objective of continuing full employment.[8]

This provision had been attacked by almost every conservative spokesman, and it was one of the sections of the bill which the House managers in the conference insisted would have to come out. By the time the conference committee met, Gross and the leading congressional sponsors of the bill had already come to the conclusion that special reliance on spending was both disadvantageous politically and naive programmatically. Although for bargaining purposes, they opposed Whittington's insistence that the spending provisions would have to come out, it is interesting to note that on January 18, 3 days before the conference, Gross had drafted a substitute policy statement which made no reference to Government spending. What finally emerged in place of the spending clauses was a broad statement, part of which Gross had lifted from President Roosevelt's declaration of war against Germany in 1941:

> SEC. 2. The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means * * * *to coordinate and utilize all its plans, functions, and resources* for the purpose of maintaining conditions under which * * * [Emphasis supplied.][9]

Since part of the "resources" of the Federal Government are its instrumentalities for spending and investment, and since the phrase finally accepted read "all * * * resources," the Senate sponsors felt, not without reason, that the conference phraseology was stronger than that in the original bill or in the Senate version. The House managers felt equally certain that dropping any specific mention of Federal spending was a victory for their side. Conceivably they were both right.

The debate on the opening declaration of policy consumed the better part of five conference sessions. Every attempt by Whittington to dilute the policy declaration beyond a point acceptable to the Senate managers was countered by an attempt on the part of the latter to reintroduce the phrase "full employment." "Full employment" had been a point of contention from the very beginning of the bill's long history. Almost impossible of unambiguous definition, the phrase had been challenged by Taft and Radcliffe in the Senate, and had been completely deleted from the House substitute. In conference, Whittington made it clear that under no circumstances would the phrase be admitted, and although the Senate managers had made an initial concession by deleting the phrase, they attempted for bargaining purposes to reintroduce it. At long last, Senator Tobey came through with "maximum" to replace "full," and everyone seemed satisfied. Tobey was also responsible for adding the phrase "and the general welfare" after "free competitive enterprise" in the statement of the Government's obligation to "foster and promote."

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[8] S. 380, 79th Cong., 1st sess., Oct. 1, 1945.

[9] Public Law 304, 79th Cong., 2d sess., approved Feb. 20, 1946.

The abortive strategy.—Mention of Tobey's contributions to the conference brings to mind a carefully conceived strategy which was developed by certain people in the executive branch. Toward the end of the conference, Tobey was approached by an administration friend of the original bill and was given the following sales talk. The original bill, of which Tobey was a cosponsor, was being cut to pieces, not by Republicans but by southern Democrats. The year 1946 was an election year. If Tobey in conference could press for a liberal version of S. 380, the Republican Party could take the credit for saving the full employment bill. Tobey was impressed, and agreed to present a strong bill to the conference on February 2. The strategist then went to Whittington and informed him that a rumor was abroad to the effect that Tobey was going to put the Democratic Party on the spot, and that unless the Democrats in the conference succeeded on their own initiative in bringing out a liberal bill, the Republicans could make a successful campaign issue out of the situation. Whether or not this news impressed Whittington will never be known, for on February 2, the Edwin Pauley affair broke,[10] Tobey raced off to the new fray, and failed to appear at the conference session on S. 380.

The final agreement.—Once agreement had been reached on the declaration of policy, the rest of the discussion went rapidly. The section dealing with the Economic Report of the President was a condensation and clarification of the House substitute on this issue. Written by Gross and introduced by Cochran, this revised section was adopted with almost no opposition.

The provisions for the Council of Economic Advisers as outlined in the House substitute were taken over almost intact, although certain important modifications were made, and at one point Whittington startled the conferees by introducing a brandnew proposal. The big issue, of course, was the relationship of the Council to the President and to Congress. The Senate managers insisted that any provision which in any way served to make ambiguous the relation of the Council to the President would be unacceptable. The House bill, it will be remembered, carried the statement, "The President is requested to make available to the Joint Committee on the Economic Report, if it desires, the various studies, reports, and recommendations of the Council which have been submitted to the President."[11] The Senate managers forced the House managers to delete this section, but just when agreement seemed to be reached, Whittington came up with a completely new proposal, authored by the U.S. Chamber of Commerce and calling for the establishment of an "independent agency, an Economic Commission." After a hot debate on January 31, Whittington finally backed down, and agreement was reached.

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[10] Truman submitted Pauley's name for confirmation to the post of Under Secretary of the Navy. Pauley's background in oil and Democratic Party politics turned many Senators against him and his name was finally withdrawn.

[11] S. 380, 79th Cong., 1st sess., Dec. 5, 1945, p. 19.

With the general sanction of all concerned, the membership on the proposed Joint Committee on the Economic Report was cut to seven representatives from each House. Any larger number was felt to be unwieldy. Little debate developed on the issue of appropriations for the Council and for the joint committee.

A rapid survey of the work of the conference gives no real indication of the human side of the proceedings. Major credit for keeping the discussion moving must go to Senator Alben Barkley. Whenever discussions became tense and acrimonious, Barkley, as chairman, relieved the tension with a joke or a gentle whim. He performed what John Chamberlain has called the function of the "master broker"[12]—the classic job of the statesman-politician: the discovery of areas of agreement. This was not always easy in the full employment conference. Ideological conflicts were mixed up with personality conflicts. Senator Taylor was angry with Senator Taft when the latter dismissed the old-age pension provisions of the Senate bill as "window dressing"; Senator Tobey took such a personal dislike to Representative Carter Manasco that he had to force himself to sit in the same room with him; on the rare occasions when Clare Hoffman appeared, tempers rose noticeably; Whittington had to exercise considerable tact in getting Manasco to agree to a number of the compromises.

But on February 2, 1946, the job was done. The long legislative battle was all but completed.

THE EMPLOYMENT ACT OF 1946

Before turning to the ratification of the conference bill by the House and Senate, it may be of interest to analyze the Employment Act of 1946[13] as a composite product. The conference bill had in it parts of S. 380 as introduced, as passed by the Senate, as passed by the House, and as modified by the conferees. It is here presented in such a way as to indicate the contributions of each phase of draftsmanship. Portions of the act taken from the original bill are in ordinary text type; the contributions of the Senate version are in *lowercase italics;* contributions of the House substitute are in SMALL CAPITALS; and the changes and additions of the conferees are written in *SMALL ITALIC CAPITALS.*

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[12] The American Stakes (New York, 1940).

[13] Public Law 304.

EMPLOYMENT ACT OF 1946

An ACT

To DECLARE a national policy *ON* EMPLOYMENT, PRODUCTION, AND PURCHASING POWER *AND FOR OTHER PURPOSES.*

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.

SEC. 1. This Act may be cited as the "*EMPLOYMENT ACT OF 1946.*"

Declaration of Policy

SEC. 2. The Congress hereby declares that it is the CONTINUING policy *AND responsibility of the Federal Government TO USE ALL PRACTICABLE MEANS consistent with its needs and obligations and other essential considerations of national policy WITH THE ASSISTANCE AND COOPERATION OF* industry, agriculture, labor, and State and local governments, *TO COORDINATE AND UTILIZE ALL ITS PLANS, FUNCTIONS, AND RESOURCES FOR THE PURPOSE OF CREATING AND MAINTAINING, IN A MANNER CALCULATED* to foster AND PROMOTE free competitive enterprise and the general welfare, *CONDITIONS UNDER WHICH* THERE WILL BE AFFORDED *useful employment, FOR THOSE* able, *WILLING*, and seeking to work, *AND* TO PROMOTE *MAXIMUM* EMPLOYMENT, PRODUCTION, AND PURCHASING POWER.

ECONOMIC REPORT OF THE PRESIDENT

SEC. 3(a) The President shall transmit to the Congress WITHIN SIXTY DAYS AFTER THE BEGINNING OF EACH REGULAR SESSION (COMMENCING WITH THE YEAR 1947) AN ECONOMIC REPORT (HEREINAFTER CALLED THE "ECONOMIC REPORT") *SETTING FORTH* (1) THE LEVELS OF EMPLOYMENT, PRODUCTION, AND PURCHASING POWER *OBTAINING IN THE UNITED STATES AND SUCH LEVELS NEEDED TO CARRY OUT THE POLICY DECLARED IN SECTION 2;* (2) current *and foreseeable trends in the levels of* EMPLOYMENT, PRODUCTION, AND PURCHASING POWER; *(3) a review of the economic program of the Federal Government AND A REVIEW OF ECONOMIC CONDITIONS AFFECTING EMPLOYMENT IN THE UNITED STATES* OR ANY CONSIDERABLE PORTION THEREOF during the preceding year and of their effect upon EMPLOYMENT, PRODUCTION, AND PURCHASING POWER; AND (4) *A PROGRAM FOR CARRYING OUT THE POLICY DECLARED IN SECTION 2, TOGETHER WITH* such recommendations for legislation as he may deem necessary or desirable.

(b) The President may transmit from time to time to the Congress reports supplementary to THE ECONOMIC REPORT, *EACH OF WHICH SHALL INCLUDE SUCH SUPPLEMENTARY OR REVISED RECOMMENDATIONS AS HE MAY DEEM NECESSARY OR DESIRABLE TO ACHIEVE THE POLICY DECLARED IN SECTION 2.*

(c) THE ECONOMIC REPORT, AND *ALL* SUPPLEMENTARY REPORTS *TRANSMITTED UNDER SUBSECTION* (*B*), *SHALL, WHEN TRANSMITTED* TO CONGRESS, BE REFERRED TO the Joint Committee CREATED BY SECTION 5.

COUNCIL OF ECONOMIC ADVISERS TO THE PRESIDENT

SEC. 4(a) THERE IS HEREBY CREATED IN THE EXECUTIVE OFFICE OF THE PRESIDENT A COUNCIL OF ECONOMIC ADVISERS (HEREINAFTER CALLED THE "COUNCIL"). THE COUNCIL SHALL BE COMPOSED OF THREE MEMBERS WHO SHALL BE APPOINTED BY THE PRESIDENT, BY AND WITH THE ADVICE AND CONSENT OF THE SENATE, AND EACH OF WHOM SHALL BE A PERSON WHO, AS A RESULT OF HIS TRAINING, EXPERIENCE, AND ATTAINMENTS, IS EXCEPTIONALLY QUALIFIED TO ANALYZE AND INTERPRET ECONOMIC DEVELOPMENTS, TO APPRAISE PROGRAMS AND ACTIVITIES OF THE GOVERNMENT IN THE LIGHT OF THE POLICY DECLARED IN SECTION 2, AND TO FORMULATE AND RECOMMEND NATIONAL ECONOMIC POLICY TO PROMOTE EMPLOYMENT, PRODUCTION, AND PURCHASING POWER UNDER FREE COMPETITIVE ENTERPRISE. EACH MEMBER OF THE COUNCIL SHALL RECEIVE COMPENSATION AT THE RATE OF $15,000 PER ANNUM. THE PRESIDENT SHALL DESIGNATE ONE OF THE MEMBERS OF THE COUNCIL AS CHAIRMAN AND ONE AS VICE CHAIRMAN, WHO SHALL ACT AS CHAIRMAN IN THE ABSENCE OF THE CHAIRMAN.

(b) THE COUNCIL IS AUTHORIZED TO EMPLOY, AND FIX THE COMPENSATION OF, SUCH SPECIALISTS AND OTHER EXPERTS AS MAY BE NECESSARY FOR THE CARRYING OUT OF ITS FUNCTIONS UNDER THIS ACT, WITHOUT REGARD TO THE CIVIL-SERVICE LAWS AND THE CLASSIFICATION ACT OF 1923, AS AMENDED, AND IS AUTHORIZED, SUBJECT TO THE CIVIL-SERVICE LAWS, TO EMPLOY SUCH OTHER OFFICERS AND EMPLOYEES AS MAY BE NECESSARY FOR CARRYING OUT ITS FUNCTIONS UNDER THIS ACT, AND FIX THEIR COMPENSATION IN ACCORDANCE WITH THE CLASSIFICATION ACT OF 1923, AS AMENDED.

(c) IT SHALL BE THE DUTY and function OF THE COUNCIL:

(1) TO ASSIST AND ADVISE THE PRESIDENT IN THE PREPARATION OF THE ECONOMIC REPORT:

(2) TO GATHER TIMELY AND AUTHORITATIVE INFORMATION CONCERNING ECONOMIC DEVELOPMENTS AND ECONOMIC TRENDS, BOTH CURRENT AND PROSPECTIVE, TO ANALYZE AND INTERPRET SUCH INFORMATION IN THE LIGHT OF THE POLICY DECLARED IN SECTION 2 FOR THE PURPOSE OF DETERMINING WHETHER SUCH DEVELOPMENTS AND TRENDS ARE INTERFERING, OR ARE LIKELY TO INTERFERE, WITH THE ACHIEVEMENT OF SUCH POLICY, AND TO COMPILE AND SUBMIT TO THE PRESIDENT STUDIES RELATING TO SUCH DEVELOPMENTS AND TRENDS;

(3) TO APPRAISE THE VARIOUS PROGRAMS AND ACTIVITIES OF THE FEDERAL GOVERNMENT IN THE LIGHT OF THE POLICY DECLARED IN SECTION 2 FOR THE PURPOSE OF DETERMINING THE EXTENT TO WHICH SUCH PROGRAMS AND ACTIVITIES ARE CONTRIBUTING, AND THE EXTENT TO WHICH THEY ARE NOT CONTRIBUTING, TO THE ACHIEVEMENT OF SUCH POLICY, AND TO MAKE RECOMMENDATIONS TO THE PRESIDENT WITH RESPECT THERETO;

(4) to develop AND RECOMMEND TO THE PRESIDENT NATIONAL ECONOMIC POLICIES TO FOSTER AND PROMOTE FREE COMPETITIVE ENTERPRISE, TO AVOID ECONOMIC FLUCTUATIONS OR TO DIMINISH THE EFFECTS THEREOF, AND TO MAINTAIN EMPLOYMENT, PRODUCTION, AND PURCHASING POWER;

(5) to make and furnish such studies, reports thereon, and recommendations with respect to matters of Federal economic policy and legislation as the President may request.

(d) the Council shall make an annual report to the President in *December of each year.*

(e) in exercising its powers, functions and duties under this Act:

(1) the Council may constitute such advisory committees and may consult with such representatives of industry, agricultural, labor, consumers, State and local governments, and other groups, as it deems advisable;

(2) the Council shall, to the fullest extent possible, utilize the services, facilities, and information (including statistical information) of other Government agencies as well as private research agencies, in order that duplication of effort and expense may be avoided.

(f) to enable the Council to exercise its powers, functions, and duties under this Act, there are authorized to be appropriated (except for the salaries of the members and the salaries of officers and employees of the Council) such sums as may be necessary. for the salaries of the members and the salaries of officers and employees of the Council, there is authorized to be appropriated not exceeding $345,000 in the aggregate for each fiscal year.

Joint Committee on the Economic Report

Sec. 5. (a) There is hereby established a Joint Committee on the Economic Report, to be composed of *seven* Members of the Senate, to be appointed by the President of the Senate, and *seven* Members of thet House of Representatives, to be appointed by the Speaker of the House of Representatives. The party representation on the joint committee shall as nearly as may be feasible reflect the relative membership of the majority and minority parties in the Senate and House of Representatives.

(b) It shall be the function of the joint committee—

(1) to make a continuing study of matters related to the Economic Report;

(2) to study means of coordinating programs in order to further the policy of this Act; and

(3) as a guide to the several committees of the Congress dealing with legislation relating to the Economic Report, not later than *May 1* of each year (beginning with the year 1947) to file a report with the Senate and the House of Representatives containing its findings and recommendations with respect to each of the main recommendations made by the President in the Economic Report, and from time to time to make such other reports and recommendations to the Senate and House of Representatives as it deems advisable.

(c). Vacancies in the membership of the joint committee shall not affect the power of the remaining members to execute the functions of the joint committee, and shall be filled in the same manner as in the case of the original selection. The joint committee shall select a chairman and a vice chairman from among its members.

(d) The joint committee, or any duly authorized subcommittee thereof, is authorized TO HOLD SUCH HEARINGS AS IT DEEMS ADVISABLE, AND, WITHIN THE LIMITATIONS OF ITS APPROPRIATIONS, the joint committee is empowered to appoint and fix the compensation of such experts, consultants, technicians and clerical and stenographic assistants, to procure such printing and binding, and to make such expenditures, as it deems necessary and advisable. The cost of stenographic services to report hearings of the joint committee, OR ANY SUBCOMMITTEE THEREOF, shall not exceed 25 cents per hundred words. The joint committee is authorized to utilize the departments and establishments of the Government, AND ALSO OF PRIVATE RESEARCH AGENCIES.[14]

(e) *THERE IS HEREBY AUTHORIZED TO BE APPROPRIATED FOR EACH FISCAL YEAR THE SUM OF $50,000, OR SO MUCH THEREOF AS MAY BE NECESSARY, TO CARRY OUT THE PROVISIONS OF THIS SECTION, TO BE DISBURSED BY THE SECRETARY OF THE SENATE ON VOUCHERS SIGNED BY THE CHAIRMAN OR VICE CHAIRMAN.*

Such was the eclectic product of the personalities and pressures which struggled for more than a year over the fate of S. 380. But who had won? What did it all mean?

HOUSE AND SENATE APPROVAL

On February 6, 1946, the House listened to a number of schools of opinion about the meaning and value of the Employment Act of 1946.[15] Whittington and Manasco reported that the act was acceptable to them, that the Senate managers had given in at every important point, and that the conference bill was, to all intents and purposes, the House substitute. Cochran and Patman backed the conference bill as one which the liberals could support with good conscience. Some of the strong phrases were missing, they admitted, but the meat of the original bill was still there. Bender claimed that the conference bill was a fake, that it was not a full employment bill, but that he would support it reluctantly as a move in the right direction. Hoffman and Church also called the bill a fake, but vehemently protested its passage on the grounds that it represented unnecessary duplication of existing powers, and would lead to nothing constructive. After outlining the steps provided for by the act, Hoffman characterized the whole procedure as chasing "the devil of unemployment around the stump, never quite catching him."[16]

On one thing almost everyone was agreed: that the question of Presidential appointments to the Council was of vital importance. The conservatives wanted men "of business ability."[17] The liberals wanted men who were "wholeheartedly devoted to the principles of the bill."[18]

The Employment Act of 1946 was finally passed in the House by a vote of 320 to 84 (see app. C). Two days later, on February 8, with

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[14] Remember where Gross and Whittington respectively got most of their research assistance?

[15] Congressional Record, 79th Cong., 2d sess., pp. 999–1009.

[16] Ibid., p. 1001.

[17] Ibid., p. 1000.

[18] Congressional Record, 79th Cong., 2d sess., Feb. 8, 1946, p. 1170.

the endorsement of both Senator Murray and Senator Taft, the conference bill went through the Senate without opposition. It was signed by President Truman and became law on February 20, 1946.

And what of the reaction of the interested pressure groups and the press? The Continuations Group, after being assured by Senator Murray and Bertram Gross that the act was a worthy result of their labors, dutifully submitted a memorandum to Truman asking that he sign the conference bill. Many liberals felt secretly, however, that the conference bill was a weak and meaningless wraith. Some members of the CIO were particularly bitter. Most conservatives rejoiced that the teeth had been removed from the original bill, and in general the press gave it short shrift as a watered-down version of S. 380. A few, and as time went on, a growing number of people, felt that whatever the hopes and fears of those responsible for the final act, S. 380 as passed was an important step in the direction of coordinated and responsible economic planning in the Federal Government.

79th Congress }
1st Session } SENATE COMMITTEE PRINT NO. 2

BIBLIOGRAPHY ON FULL EMPLOYMENT

REPORT

TO THE

COMMITTEE ON BANKING AND CURRENCY

RELATING TO

THE BILL (S. 380) TO ESTABLISH A NATIONAL POLICY
AND PROGRAM FOR ASSURING CONTINUING FULL
EMPLOYMENT IN A FREE COMPETITIVE ECONOMY, THROUGH THE CONCERTED EFFORTS
OF INDUSTRY, AGRICULTURE, LABOR,
STATE AND LOCAL GOVERNMENTS,
AND THE FEDERAL GOVERNMENT

JUNE 25, 1945

Printed for the use of the Committee on Banking and Currency

UNITED STATES
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2444

To the Members of the Senate Committee on Banking and Currency:

In view of the widespread interest in the full employment bill (S. 380) now pending before the Senate Committee on Banking and Currency, I have had the Library of Congress prepare, for use by members of the committee, the attached bibliography describing the major books and articles published during the last 2 years on the all-important question of how we in America can maintain full employment after the war.

The Library of Congress is to be congratulated for having developed a full employment bibliography which not only lists and classifies the material on this subject but also provides a brief and accurate digest of the contents of each book and article. I feel confident that this bibliography will prove of great value not only to members of the committee and other Members of Congress but also to the general public.

ROBERT F. WAGNER,
Chairman, Committee on Banking and Currency.

LETTER OF TRANSMITTAL

THE LIBRARY OF CONGRESS,
REFERENCE DEPARTMENT,
LEGISLATIVE REFERENCE SERVICE,
Washington, June 1, 1945.

Hon. ROBERT F. WAGNER,
United States Senate, Washington, D. C.

MY DEAR SENATOR: Transmitted to you herewith is a preliminary bibliography on full employment, classified and annotated, prepared at your request. Time has not permitted the doing of as complete a report as we should like to have made. Hence the term "preliminary."

The bibliography is confined for the most part to the United States, but a few of the more basic reports on Great Britain are included. It is largely limited to items appearing in 1943, 1944, and early 1945.

Items have been classified under 4 broad headings and 26 subheads. A particular article or book may appear in one or more subheads as the various subjects discussed fit into the outline. The brief annotations under each entry attempt to suggest the content of the article, or the conclusions reached by the author, or both. It is obviously impossible to do full justice to the author in such a fashion, but it is hoped that what is thus indicated will be sufficient to enable the reader to come to a decision as to whether to explore the item more fully.

It will be noted that the analysis reflected in the form and content marks a departure from bibliographies of the usual type.

The bibliography is the work of Raymond E. Manning and Julius W. Allen, of the Economics Section of the Legislative Reference Service.

Sincerely yours,

ERNEST S. GRIFFITH,
Director, Legislative Reference Service.

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BIBLIOGRAPHY ON FULL EMPLOYMENT

CLASSIFIED AND ANNOTATED

Legislative Reference Service—Library of Congress

A. General

Under this broad heading are collected references of a very general nature on post-war full employment, on national income, and the role of the consumer in spending to promote full employment. Items also consider whether or not ours is a mature economy.

The subheads used are the following:

1. **General Works.**
2. **Full Employment Definitions and Goals.**
3. **National Income and National Product.**
4. **Is Ours a Mature Economy?**
5. **The Consumer: His Role, Needs, and Resources.**

1. General Works

The principal works of an over-all nature are collected here. A few briefer articles which give a quick general picture are also included.

Approaches to the problem of attaining full employment in the post-war period. *In* U. S. Congress. Senate. Special committee on post-war economic policy and planning. Post-war economic policy and planning. Report of Hon. Joseph C. O'Mahoney . . . pursuant to S. Res. 102, October 14, 1943. Washington, Govt. print. off., 1943. 144 p. (78th Cong., 1st sess., Senate Doc. 106.)
HC106.4.A2888 1943j

> ***Contents:* Literature indicating approaches to full employment is abstracted under the following headings: Private investment, public investment, social security, national security, international economic, time element, and miscellaneous. See pp. 89-97.**

Baruch, Bernard M., *and* John M. Hancock. Report on war and post-war adjustment policies. February 15, 1944. Washington, Govt. print. off., 1944. 108 p. HC106.4.A2867 1944c

> ***Contents:* Report and recommendations on contract termination, surplus property and "tightening the mobilization machinery." Emphasis is largely on "bringing jobs to all workers," with particular reference to the returning servicemen.**

Beveridge, William H. Full employment in a free society. New York, W. W. Norton, 1945. 429 p. HD5767.B42 1945

> ***Contents:* Analysis and plan to prevent unemployment in Great Britain. Includes discussion of facts and theories of unemployment in peacetime, full employment in war, a full employment policy for peace, internal and international implications of full employment, with appendices on the international trade cycle and quantitative aspects of the full employment problem in Britain. *Conclusion:* Action against unemployment must be taken on**

three lines—of maintaining at all times adequate total outlay (expenditures), of controlling the location of industry, and of securing the organized mobility of labor. The first of these is the main attack: the others are subsidiary operations. See especially p. 29, 131–175.

Chase, Stuart. Full employment's chillun. The Progressive, May 28, 1945, v. 9:1–2.

Contents: Lists 18 assets on the domestic front and 4 on the international front which would be derived from "the Murray bill or some other good plan for 60 million jobs."

Comer, George P., *and* Fred E. Berquist. A report of interviews with important government and private agencies upon post-war problems and plans, Sept. 24, 1943. *In* U. S. Congress. Senate. Special committee on post-war economic policy and planning. Post-war economic policy and planning. Report of Hon. Joseph C. O'Mahoney . . . pursuant to S. Res. 102, October 14, 1943. Washington, Govt. print. off., 1943. 144 p. (78th Congress, 1st session, Senate Doc. 106.) HC106.4.A2888 1943j

Contents: Post-war plans, mostly with emphasis on transitional and post-war employment, of the Bureau of labor statistics, Department of commerce, Department of agriculture, W. P. B., Public roads administration, Maritime commission, Defense plant corporation, Bureau of the budget, Rural electrification administration, Brookings institution, National planning association, Committee for economic development, Chamber of commerce of the United States, National association of manufacturers, C. I. O., A. F. of L., National housing agency, General electric company. *Conclusion:* The fear of unemployment after the war colors the thinking of all the agencies interviewed. Those concerned with labor problems give it first rank in their planning. In the opinion of several agencies timing of employment opportunities is the heart of the problem.

Congress of industrial organizations. Political action committee. Full employment; proceedings of the Conference on full employment, New York, January 15, 1944. New York, 1944. 161 p. HC106.4.C536

Contents: 44 addresses on the following aspects of full employment: reconversion and post-war needs, agriculture, small business, veterans, women workers, negro workers, industrial planning, social security, housing. Speakers include Alvin Hansen, Philip Murray, Henry Wallace and James G. Patton.

Employment for all. Planning (London), No. 206, May 11, 1943. 30 p. HC251.P6

Contents: Discusses the employment problem of Britain. Makes recommendations in consumption policy, investment policy, and efficient use of resources. *Conclusions:* A floor should be established in consumption of low-standard groups by means of minimum wages, generous family allowances, food subsidies, improvement of social service benefits, and a progressive tax structure. Capital investment should also satisfy the minimum needs of the community.

Grattan, C. Hartley. Full employment through the wringer. Harper's magazine, June 1945, v. 190: 577–584. AP2.H3

Contents: Criticism of basic full employment plans, principally Beveridge's, as being socialistic and against capitalism. *Conclusion:* Mastery of unemployment and retention of the "old freedoms" is not guaranteed under the schemes thus far propounded.

Great Britain. Ministry of reconstruction. Employment policy. May 1944. London, H. M. Stationery off., 1944. 31 p. (Command Paper 6527). HC256.4.G7.A5 1944

Contents: Considers the international and industrial background of British employment policy, the transition from war to peace, conditions of high levels of employment, with special reference to methods for maintaining total expenditure. *Conclusion:* The Government accepts as one of its primary aims and responsibilities the maintenance of a high and stable level of employment after the war. Policy includes: (a) Total expenditure on goods and services must be prevented from falling to a level where general unemployment appears; (b) the level of prices and wages must be kept reasonably stable; (c) there must be a sufficient mobility of workers between occupations and localities.

Halasi, Albert. The problem of full employment. International post-war problems (N. Y.), Dec. 1943, v. 1: 41–85.

Contents: An analysis of the employment problem and recommendations for employment policies in countries whose economic activities are conducted on lines of private enterprise under government leadership.

Hansen, Alvin H. America's role in the world economy. New York, W. W. Norton. 1945. 197 p. HC58.H3

Contents: Three parts are entitled "post-war hopes and fears, the economic foundations of world security, and exports, imports and domestic full employment." Detailed discussion of the various international agreements and agencies is included. These include the Bretton Woods agreements, the food and agricultural organization of the United Nations, etc. *Conclusion:* The main means to achieve international equilibrium are (a) the promotion of full employment in the industrially mature countries, especially in the United States; (b) the development and industrialization of the backward countries, designed to change the structure of their economics; and (c) a liberalization of commercial and tariff policies throughout the world, notably in the U. S.

——— Beveridge on full employment. New republic (N. Y.), Feb. 19, 1945, v. 112: 250–254. AP2.N624

Contents: Detailed summary and review of W. H. Beveridge's "Full Employment in a Free Society" with specific applications to the situation in the United States.

Harris, Seymour E. Targets for tomorrow's economy. New republic (N. Y.), Mar. 19, 1945, v. 112: 383–385. AP2.N624

Contents: A brief picture of the views of the school of thought sometimes represented by Hansen and Harris.

Hirsch, Julius. Facts and fantasies concerning full employment. American economic review (Evanston, Ill.), Mar. 1944, v. 34: 118–127. HB1.E26

Conclusion: Little likelihood exists for full employment after the war. Employment is likely to decline, or at best remain approximately stable at 1939 levels in all except some durable goods and construction industries.

Hoffman, Paul G. How can we make sure of post-war jobs for all? Free world (N. Y.), Mar. 1945, v. 9: 67–69. D410.F78

Contents: A general statement on how government, business, agriculture, and labor working together can promote the needed jobs.

Hopkins, Harry L. Your job after the war. American magazine (N. Y.), v. 138, Nov. 1944: 20–21+. AP2.A36

Contents: A general review of the problems to be solved and suggestions for solving them.

Johnston, Eric. America unlimited. Garden city, Doubleday, Doran, 1944. 254 p. HC106.4.J64

Conclusion: Relative full employment will depend on removing physical, political, and psychological obstacles to the free flow of enterprise capital. Reform of the tax system, prevention of monopoly, a more conducive climate for small and new businesses, and a healthy, democratically run labor movement are essential.

Lebergott, Stanley. Shall we *guarantee* full employment? Harper's magazine (N. Y.), Feb. 1945, v. 190: 193–202. AP2.H3

Contents: Discussion of, and discounting of, likelihood of post-war employment being assured by (1) plans of business, (2) wartime savings and post-war demand, (3) technological development and improvement, (4) foreign trade boom, (5) GI bill of rights. Development of need for a national employment guarantee, suggesting a policy of government intervention whenever unemployment, aside from seasonal variation, would exceed 4% of the total labor force. *Conclusion:* A "National Employment Guarantee" must be provided.

Liberal Party committee on full employment. The government's employment policy examined. London, Liberal publication department, 1944. 7 p. HC256.4.L4 1944

Contents: An interim report on the British White paper (Cmd 6527) setting out points of agreement and points of disagreement.

Mayer, Joseph. Full employment after the war: how to achieve it and maintain it. Science (New York), Apr. 13, 1945, v. 101: 367–372.

Contents: Recommendation for establishment of a "Reconstruction Employment Commission" which would study ways to reemploy war workers, and to carry over unemployed through unemployment insurance, report on the adequacy of existing arrangements for getting the armed forces post-war jobs, and facilitate cooperation between government and business.

Murray, James E. Quotations and excerpts on full employment. U. S. Congress. Daily congressional record, Mar. 26, 1945: A1583–A1586

Contents: Many brief quotations on the need for full employment and how it can be achieved.

Murray, Philip. C. I. O. reemployment plan. Washington, C. I. O. Department of research and education, 1945. 29 p.

Contents: "The 1944 Murray reemployment plan defines the deflationary gap, examines the dangers therein to the nation's security and to democracy, and sets forth seven points enunciating how the deflationary gap can be filled and its dangers obviated."

Myrdal, Gunnar. Is American business deluding itself? Atlantic monthly (Boston), v. 174, Nov. 1944: 51–58. AP2.A36

Contents: Reviews some of the favorable and unfavorable factors in the transition period, and the general American optimism. *Conclusion:* It is questionable whether the optimism can last. An unbalanced budget can be expected for at least a decade. There will be a high degree of economic unrest, and mass unemployment in wide areas. Agricultural production will be short for a few years and prices high, but thereafter an overproduction crisis must be expected.

National planning association. National budgets for full employment. (Planning pamphlets nos. 43 and 44). Washington, National planning association, 1945. 96 p. HC101.N352 Nos. 43–44

Contents: Three basic types of budgets of national expenditures estimated as necessary to achieve full employment are set forth and analyzed, one increasing primarily Government expenditure, the second business expenditure and the third consumer expenditure. *Conclusion:* Full employment will require the production and purchase of more goods and services than ever before in peacetime, because the population is still growing and the productivity of labor and machinery is still increasing. The increase in production as of 195x should be 40 percent over 1941 at 1941 price levels. Expenditures must balance incomes. If total expenditures are enough for full employment, then somebody must have spent more than would be expected from past relationships of expenditures to incomes. This could be Government or Business or Individuals, or some combination of the three.

Oxford university. Nuffield college. Employment policy and organization of industry after the war. London, Oxford university press, 1943. 70 p. HC256.4.O915

Contents: Statement as result of conference of prominent Englishmen on full employment in Britain, future organization of industry, relations between public and private enterprise, capital and labor, and industry and the public.

Pierson, John H. G. Full employment. New Haven, Yale university press, 1941. 297 p. HD5724.P5

Contents: Definition of full employment, alternative approaches to it, guides to full employment policy. *Conclusion:* If a governmental central master plan is accepted, permanent full employment can be achieved by carrying out as large a production program as the existing state of technology will permit the existing labor supply to handle. If only specified kinds of production are to be planned directly, the maintenance of full employment requires some means of controlling, not industries or producing units (except as specified), but the volume of production for market as a whole. The first requirement of a full-employment market economy is that government underwrite or guarantee in advance the annual amount of consumer spending.

Prosperity—How to get it—How to keep it. New republic (N. Y.), Nov. 27, 1944 (Special section), v. 111: 707–726. AP2.A8

Contents: Reviews the conditions that will exist after the war which will contribute to, or detract from, the hopes of full employment, and proposes certain actions that should be taken by government and industry.

Ruml, Beardsley. Cooperation of government and business for prosperity. Commercial and financial chronicle (N. Y.), May 24, 1945, v. 161: 2277, 2306–2307. HG1.C2

Contents: Speech delivered May 22, 1945, on the relationship of government and business with respect to full employment, with reference to the full employment bill. *Conclusion:* To have full employment there must be a commitment on the part of the federal government that, through an explicit fiscal and monetary policy it will act when private business cannot sustain the employment demand. Agencies in the executive branch associated "in giving reality to fiscal and monetary policy" should be consolidated.

Schmidt, Emerson P. Full employment: its politics and economics. Washington, Chamber of commerce of the United States, 1944. 24 p.

Contents: General discussion of the meaning of full employment and unemployment and of ways, some favored and some opposed, in which a post-war employment program can be planned.

Slichter, Sumner H. How to stimulate post-war employment. American academy of political and social science, *Philadelphia.* Annals, Mar. 1945, v. 238: 158–166. H1.A4

Contents: Discussion of two main aspects of the problem of how to prevent unemployment: (1) preventing unemployment caused by the physical, financial, and legal difficulties of conversion; and (2) preventing unemployment due to lack of effective demand for goods. *Conclusion:* Conversion program will require: definite plans on the part of each business enterprise; opportunity for business enterprises to experiment with new models or products; provision for prompt advances by the Government on terminated war contracts; advance determination of the disposition of government-owned plants; short-term credits; prompt removal of government property; orderly disposition of government supplies; simultaneous and general removal of controls over materials, production, and manpower. Program to sustain demand requires: quick and orderly conversion; prompt action by business enterprises in catching up on deferred repairs, maintenance, and replacement; reforms in the system of taxation, prompt action by government bodies in starting to catch up on repairs, maintenance, and replacements; wise administration of price control, and more adequate compensation for the unemployed.

Sloan, Alfred P. The importance of jobs. Academy of political science, *New York*. Proceedings, Jan. 1945, v. 21: 197–210. H31.A4

Contents: Reviews the importance of jobs, the problems in creating them principles involved, and the program to be followed.

Stead, William H. Democracy against unemployment; an analysis of the major problem of post-war planning. New York, Harper & brothers, 1942. 280 p. HD5706.S8

Contents: Analysis of the history and causes of unemployment, the various means of attacking recurring unemployment, and the relationship between employment and purchasing power.

U. S. Congress. House. Special committee on post-war economic policy and planning. Post-war economic policy and planning. Hearings, 78th Congress, 2d session . . . pursuant to H. Res. 408. Washington, Govt. print. off., 1944. 605 p. HC106.4.A2889

- *Contents:* Extensive hearings principally on problems of the transition period.

U. S. Congress. Senate. Special committee on post-war economic policy and planning. Post-war economic policy and planning. Hearings, 78th Congress, 2d session . . . pursuant to S. Res. 102. Washington, Govt. print. off., 1944. HC106.4.A2365

Contents: Part 3 of these hearings (p. 647–1014) is devoted to the problems of unemployment and reemployment after the war and unemployment compensation.

U. S. Congress. Senate. Special committee on post-war economic policy and planning. Post-war economic policy and planning. Report of Hon. Joseph C. O'Mahoney . . . pursuant to S. Res. 102. October 14, 1943. Washington, Govt. print. off., 1943. 144 p. (78th Cong., 1st sess., Senate Doc. 106.) HC106.4.A2888 1943j

Contents: Statement by Senator O'Mahoney on "A program for a dynamic democracy"; "Report of interviews with important government and private agencies upon post-war problems and plans," by George P. Comer and Fred E. Berquist, and "Report on approaches to the problem of attaining full employment in the post-war period," prepared in the Legislative Reference Service of the Library of Congress.

U. S. Department of commerce. Developments in Canada with respect to postwar full employment. Extension of remarks of Hon. Elbert D. Thomas, Daily congressional record, May 24, 1945: A2658–A2660.

Contents: Summary of Canadian white paper on employment and summary of postwar full employment developments in Canada.

——— ——— Reaction to British white paper on employment policy. Extension of remarks of Hon. Elbert D. Thomas. Daily congressional record, March 30, 1945: A1732–A1733.

Contents: Summary of parliamentary reaction to the employment policy white paper. Majority viewed it with "critical approval", tended to question the scope, emphasis and adequacy of the Government plan.

U. S. National resources planning board. After the war—full employment, by Alvin H. Hansen. Washington, Govt. print. off., 1943. 22 p. HC106.4.A25 1943d

Contents: Discusses our post-war aims, the expected post-war slump, planning, output potential, consumption and income. *Conclusion:* We can prevent a post-war collapse, we can maintain full employment, private industry will do the job of production, but Government must insure a sustained demand for goods, industry should plan private investments, and government should have a program of public improvements, public welfare expenditures, and provide for international collaboration.

——— ———. Security, work, and relief policies. Washington, U. S. Govt. print. off., 1942. 640 p. HV85.A53 1942

Contents: Reviews "a decade of experience in meeting the needs of our disadvantaged citizens through the provision of work, social insurance, and public assistance" and makes recommendations as to future policy.

U. S. Office of war mobilization and reconversion. Second quarterly report, March 31, 1945. Washington, U. S. Govt. print. off., 1945. 46 p. (79th Cong., 1st sess., House Doc. 137.)

Contents: A review of some of the problems of VE-Day and VJ-Day, and proposed remedies. See especially p. 14–15, 28–32.

Upgren, Arthur R. Expanding civilian production and employment after the war; objectives and guides to policy. American economic review, May, 1945, v. 35: 67–84. HB1.E26

Contents: Discussion and recommendations on five major postwar objectives: (1) a high total product output, (2) stability in the cost of living, (3) maintaining high level employment, (4) increasing productivity, and (5) a settled wage policy.

Wallace, Henry A. Statement. *In* U. S. Congress. Senate. Committee on commerce. Administration of certain lending agencies of the Federal Government. Hearings, 79th Congress, 1st session, . . . on S. 375, January 24 and 25, 1945. Washington, Govt. print. off., 1945. 144 p. HG3729.U5A5 1945a

Contents: Analysis of the economic bill of rights enunciated by Pres. Roosevelt. See especially p. 71–107.

——— Address. *In* Congress of industrial organizations. Political action committee. Full employment; proceedings of the Conference on full employment, New York, January 15, 1944, p. 67–74. HC106.4.C536

Conclusion: There cannot be in any country full employment for the purpose of full production of peacetime goods except on the basis of an assured world peace.

——— The use of statistics in the formulation of a national full employment policy. Journal of the American statistical association, March 1945, v. 40: 11–19.

Contents: Survey of the full employment problem in the United States, with emphasis on its statistical aspects.

Walsh, J. Raymond. America's rendezvous with destiny. International post-war problems (N. Y.), Mar. 1944, v. 1: 236–244.

Contents: Reviews our choices to attain full employment—Communism, Fascism, or the plans of Keynes and Hansen under which our economy spends all it earns.

The winning plans in the Pabst post-war employment awards. Milwaukee, Pabst brewing company, 1944. 88 p.

Contents: 17 prize-winning essays on proposals for obtaining full employment. Emphasis in the various articles is placed on market organization, demobilization problems, stabilization of construction employment, taxation, installment selling, underwriting level of consumer spending.

Woytinsky, Wladimir S. Prospects of permanent full employment; the chances for full employment in post-war America. International post-war problems (N. Y.), Sept. 1944, v. 1: 498–515.

Contents: General discussion of the full employment outlook in the United States with emphasis on the role of wartime savings.

2. Full Employment Definitions and Goals

Listed here are works defining what is "full employment," estimating what we should aim at, what we are likely to get, what the labor force will be, and factors entering into the making of the estimates.

Benner, Claude L. How jobs are created. Commercial and financial chronicle (N. Y.), Feb. 22, 1945, v. 161: 826. HG1. C2

Conclusion: 50 to 55 million jobs would provide a fair measure of prosperity.

Barnes, Leo. The anatomy of full employment. Nation, May 26, 1945, v. 160: 593–597.

Contents: Analysis of probable employment levels after the war, and discussion of problems arising therefrom. *Conclusion:* Sustained full employment is neither certain nor impossible in a free society but will require far more cooperation among management, labor, and government than we ever had before except in war.

Beveridge, William H. Full employment in a free society. New York, Norton, 1945. 429 p. HD5767.B42 1945

Conclusion: Full employment means more vacant jobs than unemployed men; it means that unemployment is reduced to short intervals of standing by, with the certainty that very soon one will be wanted in one's old job again or will be wanted in a new job that is within one's powers. The most urgent tasks in Britain, after the war, are on the one hand making common attack on the giant social evils of Want, Disease, Ignorance, and Squalor, and on the other hand, the reequipping of British industry, whether in private or public hands, with new and better machinery to ensure a steady increase in the standard of living (industry including agriculture). See especially pp. 18–20, 31, 254–258.

Coulter, John L. Post-war fiscal problems and policies. New York, Committee of Americans, Inc., 1945. 105 p.

Contents: Reviews statements with respect to estimates of what will constitute full employment. *Conclusion:* The regular labor force for 1945 will not greatly exceed 50 million and certainly will not exceed 55 million, and very clearly could not reach such a figure as 60 or 65 million without sacrificing homes, children, schools, etc. See especially p. 27–43.

Davis, Forrest. The sixty-million-job myth. Saturday evening post, May 5, 1945, v. 217: 17, 105–106.

Contents: An appraisal critical of a goal of 60 million jobs as government policy. Different estimates are compared.

Eccles, Marriner S. Possibilities of post-war inflation and suggested tax action. Federal reserve bulletin (Washington), Mar. 1944, v. 30: 222–227. HG2401.A5

Conclusion: Peacetime production on a scale commensurate with our ability to produce will require at least 55 million employees. See especially p. 224.

Employment for all. Planning (London), No. 206, May 11, 1943. 30 p. HC251.P6

Conclusion: Employment is a means, not an end. The end of employment can only be the welfare of the individual. The price of full employment is a greater measure of State direction in economic affairs, which people will reject only if they are prepared to accept the consequences of renewed unemployment. The provision of a decent minimum standard of living should be the first charge on the national income.

Factors determining post-war job transfers and unemployment. U. S. Bureau of labor statistics, *Washington*. Monthly labor review, Feb. 1944, v. 58: 269–280. HD8051.A78

Contents: Data and information on the size of the post-war labor force, extent of armed forces to be demobilized, etc.

Goldenweiser, E. A. Post-war problems and policies. Federal reserve bulletin (Washington), Feb. 1945, v. 31: 112–121. HG2401.A5

Conclusion: We are going to have a labor force of about 60 million, and allowing for frictional unemployment of 2 million, we shall need 58 million jobs.

Hinrichs, A. F. Outlook for employment. Commercial and financial chronicle (N. Y.), Aug. 17, 1944, v. 160: 683, 697, 701. HG1.C2

Contents: Analysis of number of post-war jobs needed for "full employment." *Conclusion:* Full employment will require labor demand large enough for from 53–55 million jobs. Unemployment likely to be serious in some centers but not likely to total over 5 million.

Hoffman, Paul G. Employment and private industry. Survey graphic (N. Y.), May 1943, v. 32: 176–177+. HV1.S82

Contents: Presents basic data for estimating number of jobs needed. *Conclusion:* Civilian jobs will have to be found for 56,000,000.

——— How can we make sure of post-war jobs for all? Free world (N. Y.), Mar. 1945, v. 9: 67–69. D410.F78

Conclusion: It is generally agreed we need 53 to 56 million civilian jobs—7 to 10 million more than in 1940.

Johnston, Eric. America unlimited. Garden city, Doubleday, Doran, 1944. 254 p. HC106.4.J64

Conclusion: Full employment (though a desirable goal) is unattainable, and it must be assumed that many millions will have to be helped in the readjustment period.

Livingston, S. Morris. The measurement of postwar labor supply and its capacity to produce. Journal of the American statistical association, March 1945, v. 40: 20–28.

Contents: Analysis of size of a full employment labor force, including consideration of the growth in output per worker and the productive capacity of the postwar labor force. *Conclusion:* "There is every reason to be concerned about the problems and possibilities of actually achieving full employment. There is much less reason to question the approximate magnitude of that goal."

National association of manufacturers. Press release for Mar. 4, 1945.

Conclusion: If other industries increase their employment in the same proportion a survey indicates manufacturing will, we should have about 56,000,000 persons employed.

National industrial conference board. Measuring and projecting national income. New York, the Board, Mar. 1945. 27 p. (Studies in business policy, No. 5.)

Contents: Estimates as to the post-war labor force are made and compared.

National planning association. National budgets for full employment. (Planning pamphlets nos. 43 and 44.) Washington, National planning association, 1945. 96 p. HC101.N352 Nos. 43–44

Conclusion: Full employment is defined by common sense, as opportunity for workers and for capital; it involves the concepts of employment of men and money at useful work and at good wages. It involves freedom for civilized living, opportunity, participation, full use of resources, stability and enterprise. See especially p. 3–6.

Pierson, John H. G. Full employment. New Haven, Yale university press, 1941. 297 p. HD5724.P5

Conclusion: Full employment is a state of affairs in which there is technically no *involuntary* unemployment, except for a normal amount of what may broadly be called *frictional* unemployment. See especially p. 29–37.

Prosperity—How to get it—How to keep it. New republic (N. Y.), Nov. 27, 1944 (Special section), v. 111: 707–726. AP2.N624

Conclusion: Foresees a labor force in 1950 of 61.5 million, of which 2.5 million will be in military forces, 7.5 million in agricultural employment, 1.5 million in process of shifting jobs, leaving about 50 million for other occupations. See especially p. 711.

Robey, Ralph. The 60,000,000 job fantasy. Newsweek (N. Y.), Feb. 19, 1945, v. 25: 70. AP2.N6772

Contents: Briefly reviews some estimates of what will constitute full employment. *Conclusion:* 54 million civilian jobs is the maximum civilian employment we can expect. If 60 million are to be employed, the government will have to freeze all in jobs, prevent youths from returning to school, etc.

Roosevelt, Franklin D. Message . . . on the state of the union, 1945. U. S. Congress. Daily congressional record, Jan. 6, 1945: 93–97.

Conclusion: There will be need for the work of everyone willing and able to work, and that means close to 60,000,000 jobs.

Ruml, Beardsley, *and* H. Christian Sonne. Fiscal and monetary policy. Washington, National planning association, July 1944, 42 p. (Planning pamphlets, No. 35.) HC101.N352 No. 35

Conclusion: High employment is taken to mean 55 million persons gainfully employed at 40 hours per week. See especially p. 1.

Schlotterbeck, Karl T. Post-war reemployment: The magnitude of the problem. Washington, Brookings institution, 1943. 27 p. (Pamphlet No. 54.) HD5724.S37.

Contents: Reviews estimates of number of jobs needed, rate of demobilization, numbers leaving labor market, etc. *Conclusion:* 54,000,000 employed persons will constitute reasonably full employment.

U. S. Congress. Senate. Special committee on post-war economic policy and planning. The problem of post-war employment and the role of Congress in solving it. Washington, Govt. print. off., 1944. 11 p. (78th Cong., 2d sess. Senate Report 539, pt. 4.)

Contents: Reviews the various factors to be considered in determining a full employment goal in the post-war period. *Conclusion:* After allowing for frictional unemployment, jobs must be found for between 54 and 56 million.

U. S. National resources planning board. After the war—full employment, by Alvin H. Hansen. Washington, Govt. print. off., 1943. 22 p. HC106.4.A25 1943d

Contents: Discusses the concept of full employment. See especially p. 3.

Wallace, Henry A. Statement. *In* U.S. Congress. Senate. Committee on commerce. Administration of certain lending agencies of the Federal Government. Hearings. 79th Congress, 1st session . . . on S. 375, January 24 and 25, 1945. Washington, Govt. print. off., 1945. 144 p. HG3729.U5A5 1945a.

Conclusion: We must provide 60 million productive jobs—we must have more jobs than workers. See especially p. 76.

3. National Income and National Product

Collected here are references to what the national income or national product will (or should) be, together with discussions of methods of computation.

Coulter, John L. Post-war fiscal problems and policies. New York, Committee of Americans, Inc., 1945. 105 p.

Contents: Considers the factors leading to conclusions with respect to size of post-war national income. *Conclusion:* There is an important relationship between full employment and "abundance" but not so close as usually indicated. Instead of the 40% increase in national product said to be needed by C. E. D., a much lower figure is anticipated. A national income between $110 and $120 billion is forecast. See especially p. 44–49, 60–67.

Eccles, Marriner S. Possibilities of post-war inflation and suggested tax action. Federal reserve bulletin (Washington), Mar. 1944, v. 30: 222–227. HG2401.A5

Conclusion: Production on a scale commensurate with our capacity to produce will yield a gross national product of about $160 billion at 1943 prices. See especially p. 224.

Goldenweiser, E. A. Post-war problems and policies. Federal reserve bulletin (Washington), Feb. 1945, v. 31: 112–121. HG2401.A5

Conclusion: To have enough jobs we must have a gross national product of $170 billion at 1943 prices or national income of $140 billion.

Goldenweiser, E. A., *and* Everett E. Hagen. Jobs after the war. Federal reserve bulletin (Washington), May 1944, v. 30: 424–431. HG2401.A5

Contents: Indicates the amount and character of national output needed to avoid serious unemployment. *Conclusion:* With a gross national product of $170 billion, unemployment will be about 2 million; at a $108 billion level, unemployment would be between 15 and 20 million.

Hagen, Everett E., *and* Nora B. Kirkpatrick. The national output at full employment in 1950. The American economic review (Evanston, Ill.), Sept. 1944, v. 34: 472–500. HB1.E26

Contents: Presents an estimate of our post-war productive potential, and the various elements going into it, assuming full employment. *Conclusion:* Per capita gross national product under such conditions would be more than 50% greater than in 1929.

Hansen, Alvin H., *and* Guy Greer. Toward full use of our resources. Fortune (N. Y.), Nov. 1942, v. 26: 130–133. HF5001.F7

Conclusion: The minimum full employment income after the war is probably not less than $120 billion; by 1950 it will be $150 billion if increases in productivity comparable to past years continue. See especially p. 133.

Harris, Seymour E. The price of prosperity. I. Spending and employment after the war. New republic (N. Y.), January 15, 1945, v. 112: 73–76. AP2.N624

Contents: Analysis of estimates of post-war gross national product and its relationship to full employment.

Hoffman, Paul G. How can we make sure of post-war jobs for all? Free world (N. Y.), Mar. 1945, v. 9: 67–69. D410.F78

Conclusion: To achieve full employment, we must achieve a gross output of from $155 to $170 billion.

Kaplan, A. D. H. The liquidation of war production: Cancelation of war contracts and disposal of government-owned plants and surpluses. New York, McGraw-Hill, 1944. 133 p. (Committee for economic development research study.) HC106.4.K34

Conclusion: Our national product must be (as a conservative estimate) 40% above 1940 if returning servicemen and essential breadwinners on war work are to be absorbed productively. See especially p. 3.

Livingston, S. Morris. Markets after the war; an approach to their analysis. Washington, Govt. print. off., 1943. 46 p. (78th Congress, 1st session, Senate Doc. 40). HF5415.U5 1943

Contents: Analysis of total business volume after the war under conditions of high level employment, effect of the war on this volume, and opportunities for individual businesses in post-war markets. *Conclusion:* If the civilian labor force which will be available after the war is effectively used, with unemployment held to a practical minimum and with 1940 hours of work, the U. S. has demonstrated a capacity to produce $142 billion of goods and services in 1940 prices ($165 billion in 1942 prices) as against an output of $97 billion in 1940.

Lutz, Harley L. Post-war budgets and taxes. Tax review (N. Y.), Feb. 1945, v. 6:5–9.

Conclusion: Deficit financing can produce any national income desired, but such a national income would have "all the substantial and enduring qualitites of a cloudbank."

Mayer, Joseph. Post-war national income: Its probable magnitude. Washington, Brookings institution, 1944. 34 p. (Pamphlet No. 55.) HC106.4.M36

Contents: Reviews estimates of national income and gross national product, and discusses the methods of arriving at estimates. *Conclusion:* Making certain assumptions, a national income of $123.1 billion is estimated for 1947.

Nathan, Robert R. Mobilizing for abundance. New York, Whittlesey house, 1944. 228 p. HC106.4.N32

Conclusion: To provide job opportunities to all workers, gross national production must total at least $150 billion.

National industrial conference board. Measuring and projecting national income. New York, the Board, March 1945. 27 p. (Studies in business policy, no. 5.)

Contents: Addresses and discussion on national income presented at a meeting of the NICB on January 18, 1945. Speakers represented the Department of Commerce, Social Security Board, General Motors Corporation. Estimates as to post-war gross national product, net income, income payments, and disposable income are made and compared.

Prosperity—How to get it—How to keep it. New republic (N. Y.), Nov. 27, 1944 (Special section), v. 111: 707–726. AP2.N624

Contents: Discusses the various factors that would contribute to an estimated gross national product of $170.1 billion in 1950. See especially p. 711–713.

Sloan, Alfred P. The importance of jobs. Academy of political science, *New York*. Proceedings, Jan. 1945, v. 21: 197–210. H31.A4

Conclusion: Assuming a high state of employment, we might raise our national income to about $100 billion in terms of 1935–39 dollars or $125 billion in 1943 dollars. See especially p. 129.

Wallace, Henry A. Statement reported in New York times, Jan. 16, 1944: 14.

Conclusion: The $100 billion national income in the plans of some businessmen is not enough for full employment. $170 billion to $200 billion in goods and services can be had.

Willkie, Wendell L. Address reported in New York times, Feb. 3, 1944: 14.

Conclusion: To meet the needs of our budget, national income should never fall below $120 billion at 1942 prices.

4. Is Ours a Mature Economy?

Collected here are some references to the pros and cons of the issue whether or not we have a "mature" economy. The answer to the question may be important in considering the steps to be taken for promoting full employment.

Bissell, Richard. Post-war private investing and public spending. *In* Postwar economic problems, ed. by Seymour E. Harris, New York, McGraw-Hill, 1943, chap. v, p. 83–110. HD82.H29

Contents: Summarizes the case against the contention that economic maturity was the cause of the depression during the 1930's. *Conclusion:* The overwhelming social need for capital expenditures is such that it makes no sense to say that modern technology demands a low investment, high consumption economy, and that the era of capital accumulation came to an end in 1929.

Fine, Sherwood M. Public spending and post-war economic policy. New York, Columbia university press, 1944. 177 p. HC106.4.F44 1944

Contents: A critical appraisal of the secular stagnation theory of Prof. Hansen.

Hansen, Alvin H. Fiscal policy and business cycles. W. W. Norton, 1941. 462 p. HB3711.H315

Contents: An exposition of the role of the government in a mature economy.

——— Full recovery or stagnation. New York, W. W. Norton, 1938. 350 p. HC106.3.H253

Contents: A discussion in 1938 of the question whether, with the stoppage in 1937 of recovery from the depression, we faced full recovery or stagnation.

Johnston, Eric. America unlimited. Garden city, Doubleday, Doran, 1944. 254 p. HC106.4.J64

Conclusion: It is denied that we face a choice between a congealed old order and some experimental new order. The bogey of a dwindling population is answered by the fact that we have millions whose standard of living should be raised. We have a background for a prosperity such that there is danger that the prosperity may become runaway.

Prosperity—How to get it—How to keep it. New republic (N. Y.), Nov. 27, 1944 (Special section), v. 111: 707-726. AP2.N624

Contents: Summarizes the various factors indicating new sources of jobs. *Conclusion:* There is no longer a vast land area for settlement nor is there likelihood of great new industries, but a new frontier can be created in regional developments and the rebuilding of cities. See especially p. 708-710.

The United States in a new world. III. The domestic economy. Fortune (N. Y.), v. 26, Dec. 1942 (Supplement). 21 p. HF5001.F7

Contents: Briefly reviews theory that we have a mature economy. *Conclusion:* The evidence is anything but conclusive that ours is a mature economy. See especially p. 8.

Walsh, J. Raymond. America's rendezvous with destiny. International post-war problems (N. Y.), Mar. 1944, v. 1: 236-244.

Conclusion: We must adjust ourselves to the imperative of a mature economy. Expansion as a principle is dead.

5. The Consumer: His Role, Needs, and Resources

Items here refer to the role of the consumer in promoting full employment, what his needs are that should be filled, and what his resources are for paying for what he needs.

Beveridge, William H. Full employment in a free society. New York, W. W. Norton, 1945. 429 p. HD5767.B42 1945

Conclusion: Some expansion of private expenditure, brought about by a redistribution of income increasing the propensity to consume, should be part of a full employment policy. However, it cannot be the main instrument of that policy. See especially p. 22-23, 184-187.

Chamber of Commerce of the United States. Third progress report of a consumer survey to measure post-war buying intent for the period immediately following the war's end. Washington, The Chamber, 1943. 20 p. Mimeographed.

Contents: Report of a survey through September 1943 on what people would like to buy, or would buy, shortly after the war.

Congress of industrial organizations. Political action committee. Jobs for all after the war. New York, CIO Political action committee, 1944. 22 p. HC106.4.C537

Contents: Reviews some of the needs of the people after the war. See especially p. 12-15.

Coulter, John L. Post-war fiscal problems and policies. New York, Committee of Americans, Inc., 1945. 105 p.

Contents: Enumerates many of the new goods and services the consumer will demand after the war. *Conclusion:* Considering the increase in number of persons to be supplied, increasing standard of living, fewer persons actually seeking work, there would appear to be no excuse for more than ordinary or so-called frictional unemployment. See especially p. 44-51.

Findlay, Alexander C. Probable volume of post-war construction. U. S. Bureau of labor statistics, *Washington.* Monthly labor review. Feb. 1945, v. 60: 261-275. HD8051.A78

Contents: In this Part I (two other parts are to follow), a general forecast is made in considerable detail together with a review of the controlling background. *Conclusion:* At 1940 cost levels, the total new construction and major repairs for the first 5 post-war years will average $10.9 billion annually, divided as follows: private—$7.9 billion and public—$3.0 billion. Maintenance and minor repairs will average an additional $4.4 billion of which private will be about $3.5 billion and public $0.9 billion.

Halasi, Albert. Will war savings stabilize prosperity? International post-war problems (N. Y.), Sept. 1944, v. 1: 515–523.

Contents: Reply to article by W. Woytinsky immediately preceding it in the magazine, critical of Woytinsky's minimizing the significance of governmental compensatory (fiscal) policies in a post-war full-employment program.

Howenstine, E. Jay. The economics of demobilization, Washington, Public affairs press, 1944. 336 p. HC106.4.H67

Contents: Reviews the contradictory policies of the government during the immediate post World War I period. *Conclusion:* Consumer must continue to save for first year after peace, but as conversion progresses an increasing proportion of national income must be spent for consumer goods to sustain full-employment economy. See especially p. 24–26, 41–43, 47, 258, 309–310.

Jobs after the war: a series of articles on post-war employment problems. 3. Backlogs and savings. Factory management and maintenance (N. Y.), Dec. 1943, v. 101: 93–96. TK1.I3

Contents: Estimates backlog of demand for consumer durable goods and amount of accumulated savings, and discusses how they may affect the employment picture.

Molson, Hugh. Full employment and the budget. London, Signpost press, 1944. 20 p. HC256.4.M58

Conclusion: The chief cause of slumps is the failure of savers to use their savings for productive purposes. Question is how to control the amount of savings and secure their investment in capital goods without delay. The simplest expedient to increase purchasing power and to offset excessive private saving is to unbalance the budget.

Nathan, Robert R. Mobilizing for abundance. New York, Whittlesey house, 1944. 228 p. HC106.4.N32

Conclusion: As long as buying power is fully spent to buy what is produced, production will be maintained.

National planning association. National budgets for full employments. Washington, National planning association, 1945. 96 p. (Planning pamphlets nos. 43 and 44). HC101.N352 No. 43–44

Conclusion: To increase expenditures by individuals, it is necessary primarily to increase people's incomes toward the lower end of the scale, where people use their incomes because they must. Three approaches to increasing individuals' expenditures are: (1) increased purchases by individuals through reducing the proportion of income saved; (2) increasing the share of total income paid to individuals; (3) laying taxes in such manner as not to reduce the effective consuming power of individuals. Conclusion is inescapable that mass production requires a greater number of better consumers.

National war labor board, American federation of labor members. Comments . . . on the public members' report to the President on the modification of the Little Steel formula. March 2, 1945. 12 p. (mimeograph).

Contents: An appendix (p. 11–12) estimates on the basis of the Department of Commerce study, "Markets after the war," that consumer buying power will be 13 billion dollars short of that needed for full production and full employment at present wage rates.

Slichter, Sumner H. Jobs after the war. Atlantic monthly (Boston), Oct. 1944, v. 174: 87–91. AP2.A8

Contents: Discussion of consumer needs and demand and their effect on employment after the war.

Taylor, Amos E. Economic adjustments from war to peace. Commercial and financial chronicle (N. Y.), Mar. 1, 1944, v. 161: 930, 956. HG1.C2

Contents: Consumers have saved about $100 billion, while business has about $40 billion in cash and government bonds. Latin-American countries especially will have large American balances with which to buy goods.

Walsh, J. Raymond. America's rendezvous with destiny. International post-war problems (N. Y.), Mar. 1944, v. 1: 236–244.

Conclusion: We must consume much more, save much less, or we shall lapse into a poverty induced by our own great capacities to create abundance.

Woytinsky, Wladimir S. Prospects of permanent full employment; the chances for full employment in post-war America. International post-war problems (N. Y.), Sept. 1944, v. 1: 498–515.

Conclusion: The key to lasting prosperity in post-war America is in *gradual* utilization of war savings by individuals and business. War savings will represent a source of inflationary danger which will require a system of carefully planned economic controls, including a foresighted national wage policy.

Wright, David M. The creation of purchasing power. Cambridge, Harvard university press, 1944. 251 p. HB3723.W7 1942

Contents: A study of ways of increasing purchasing power to combat cyclical disturbances and a mature economy.

B. Government

The role of the government in promoting full employment is the general subject of the writings listed here. One of the subdivisions is given over exclusively to the Full Employment Bill. Other subdivisions are concerned with public works, social security, monetary and fiscal policy. The relations of government to business and labor are not included here but rather are listed under succeeding titles.

The subheads used are the following:

1. Role of the Government.
2. The Full Employment Bill.
3. Government Planning.
4. Public Works.
5. Social Security (except Unemployment Compensation).
6. Monetary Policy.
7. Fiscal Policy (except Taxation).
8. Tax Policy.

1. Role of Government

The principal works of an over-all nature pointing out the role that government can or should play are collected here. The more specific articles covering a particular aspect of the government role are not here, but are classified under particular headings throughout the bibliography.

Abramson, Adolph G. The problem of full employment. Harvard business review, Spring 1944, v. 22: 337–345. HF5001.H3

Contents: Discussion of the proper role of government with relation to the problem of employment and liberty. *Conclusion:* The government should assume the responsibility of preventing mass unemployment; private individuals, either singly or in groups, should devise means for achieving full and uninterrupted employment.

Ballantine, Arthur A. Mr. Wallace and planned economy. Commercial and financial chronicle (N. Y.), Mar. 29, 1945, v. 161: 1371, 1383. HG1.C2

Contents: Review of Mr. Wallace's views with respect to a planned economy. *Conclusion:* Since most jobs must be provided in industry, not public works, then if government is to guarantee jobs it must do so in industry and that means government will want the say there.

Benner, Claude L. How jobs are created. Commercial and financial chronicle (N. Y.), Feb. 22, 1945, v. 161:850. HG1.C2

Conclusion: Government spending for jobs will be only temporary relief unless an expansion of private industry takes place at same time.

Beveridge, William H. Full employment in a free society. New York, W. W. Norton, 1945. 429 p. HD5767.B42 1945

Contents: Meaning of "outlay," State responsibility for outlay, and methods of achieving adequate total outlay. *Conclusion:* It must be a function of the State in future to ensure adequate total outlay (expenditure) and by consequence to protect its citizens against mass unemployment. See especially p. 29, 131-142.

Council of State governments. *Interstate committee on post-war reconstruction and development.* Wartime and post-war problems and policies of the states. Chicago, The Council, May 1944. 92 p. HC106.4.C663.

Contents: A report and recommendations with respect to what the states are and should be doing.

Eccles, Marriner S. "Where's the money coming from?" Survey graphic (N. Y.), May 1943, v. 32: 189-191. HV1.S82

Conclusion: Government cannot and should not do more than care for those for whom private industry and activity fail to provide.

Goldenweiser, E. A. Post-war problems and policies. Federal reserve bulletin (Washington), Feb. 1945, v. 31: 112-121. HG2401.A5

Conclusion: The government ought to guarantee a job to every person who can work. See especially p. 115.

Great Britain. Ministry of Reconstruction. Employment policy. May 1944. London, H. M. Stationery off., 1944. 31 p. (Command Paper 6527). HC256.4.G7A5 1944

Conclusion: In maintaining total expenditure, the guiding principles of Great Britain's government will be: (a) to export much more than ever before the war; (b) to limit the dangerous swings in expenditure on private investment as much as possible; (c) to offset unavoidable fluctuations in private investment by careful timing and volume of public investment; (d) to check and reverse the decline in expenditure on consumers' goods which normally follows as a secondary reaction to a falling off in private investment. Rationing and some price control must be continued during the transition. General level of costs must be kept stable. Saving must still be encouraged. Use of capital must be controlled to the extent needed to regulate the flow and direction of investment.

Halasi, Albert. The problem of full employment. International post-war problems (N. Y.), Dec. 1943, v. 1: 41-85.

Conclusion: Full employment needs energetic government leadership. The government must provide a sound currency and well-developed system of transportation, education, and hygiene, assure an adequate measure of competition, maintain cooperative economic relationships with foreign countries, stimulate economic activities when they need stimulation, and compensate insufficient investment and consumption when necessary.

Hansen, Alvin H. America's role in the world economy. New York, W. W. Norton, 1945. 197 p. HC58.H3

Conclusion: Central and basic in a program to insure post-war full employment is a compensatory and developmental program. Regional resource development, urban redevelopment, housing, education, public health, social security are all parts of this broad developmental program. An international commitment by all countries to maintain high levels of domestic employment would contribute greatly to the success and workability of all other international economic arrangements. These economic arrangements, in turn, are necessary and basic foundations upon which to build world political security.

Hayek, Friedrich A. The road to serfdom. Chicago, University of Chicago press, 1944. 250 p. HD82.H38 1944 a

Contents: A review of why a directed economy is undesirable, and especially its effect on freedom. *Conclusion:* Great harm can result from measures designed to attain full employment at any price.

International latex corporation. 60 million jobs ain't hay (advertisement). Washington star, Jan. 8, 1945: A-7.

Conclusion: When the public fails to spend enough to provide 60 million jobs, government must be prepared to give the incentives needed to attain that end, or itself provide useful job-creating public programs.

Johnston, Eric. America unlimited. Garden city, Doubleday, Doran, 1944. 254 p. HC106.4.J64

Contents: Reviews the role of government, especially in its relation to business. *Conclusion:* If government domination of business continues, we can expect business to move in on government. But many of the social controls must be maintained.

Jordan, Virgil. Virgil Jordan defends America's business record. Commercial and financial chronicle (N. Y.), May 25, 1944, v. 159: 2139, 2148–2149. HG1.C2

Conclusion: Government cannot guarantee full employment without depriving everyone of the freedom he has—without planning his occupation, his spending, his saving and consumption. See especially p. 2149.

Lutz, Harley L. Government and unemployment. The tax review (N. Y.), Oct. 1944, v. 5: 43–46.

Conclusion: Government instead of providing jobs during periods of unemployment should correct the conditions which prevented industry from giving jobs.

Nathan, Robert R. Mobilizing for abundance. New York, Whittlesey house, 1944. 228 p. HC106.4.N32

Conclusion: Government must provide the proper economic environment for free enterprise, eliminate monopolistic controls, provide taxation incentives to new investment, broader social-security coverage, stimulate foreign trade, and fill gaps in private employment by public works.

National planning association. National budgets for full employment. Washington, National planning association, 1945. 96 p. (Planning pamphlets, Nos. 43 and 44). HC101.N352 Nos. 43–44

Conclusion: Increased Government expenditures as a means of achieving a level of expenditure necessary for full employment would mean higher taxes or continuing deficits or both and a larger proportion of the economy not directed by individual or private enterprise. The higher the taxes, the lower will be the income remaining for expenditure by business or consumers. However, many projects can and should be undertaken by the Government if we can finance them. These include improvement of education, health and security for all people.

Oxford university. Nuffield college. Employment policy and organization of industry after the war. London, Oxford university press, 1943. 70 p. HC256.4.O915

Conclusion: The government will need to assume a much wider responsibility than in the past both for maintaining the general level of economic activity and for guiding the course of economic development. The aim of State policy should be to promote a high degree of mobility both of labor and of capital resources, and a low level of real costs based on the elimination of all influences which restrict production, and to disallow any practices which, by setting the cost of any factor, material, or component at an unreasonable level, would hamper the competitive efficiency of British industry or unduly limit consumption.

Pierson, John H. G. Full employment. New Haven, Yale university press, 1941. 297 p. HD5724.P5

Conclusion: The government must underwrite or guarantee in advance the annual amount of consumer spending, i. e., there must be a national income insurance. Government must be able to borrow or tax idle money or to issue new money.

——— Fiscal policy for full employment. Washington, National planning association, May 1945. 54 p. (Planning pamphlet, No. 45.) HC101.N352 No. 45

Conclusion: Congress and the President should declare it to be national policy to maintain full employment, and take all necessary steps to make the meaning of this commitment practical and definite. Government should underwrite the volume of consumer expenditure necessary to provide a reasonable market basis for full employment through expanded private production.

Roosevelt, Franklin D. Message . . . on the state of the union, 1944. U. S. Congress. Congressional record, Jan. 11, 1944, v. 90, pt. 1: 55–57.

Conclusion: Among the self-evident economic truths is the right to a useful and remunerative job.

——— Message . . . on the state of the union, 1945. U. S. Congress. Daily congressional record, Jan. 6, 1945: 93–97.

Conclusion: Repeats the statement of the right to a job, and declares the necessity of maintaining full employment.

Schmidt, Emerson P. Can government guarantee full employment? Washington, Chamber of commerce of the United States of America, 1945. (Post-war readjustments bulletin no. 13). 26 p.

Contents: Three full employment plans, William Beveridge's, that of the English Ministry of Reconstruction, and S. 380, 79th Congress, 1945, the full employment bill, are described and their political implications analyzed. *Conclusion:* The prevention of mass unemployment is a much more reasonable goal than "full employment." The full employment bill cannot and will not guarantee full employment.

Sloan, Alfred P. The importance of jobs. Academy of political science, *New York*. Proceedings, Jan. 1945, v. 21: 197–210. H31.A4

Conclusion: Government policy must be such as to create incentives for business and strengthen and broaden the field of opportunity in which business must operate.

Stead, William H. Democracy against unemployment; an analysis of the major problem of post-war planning. New York, Harper & bros., 1942. 280 p. HD5706.S8

Conclusion: Government action to reduce recurrent unemployment should include, beyond planning, government relief programs, planned programs of public works, social insurance, and a nation-wide employment exchange system. See especially p. 101–159.

Taft, Robert A. Guaranty of full-time employment at standard wages. (Reprint of address before National industrial conference board. *In* U. S. Congress. Daily congressional record, Jan. 22, 1945: A229-232; also in Commercial and financial chronicle (N. Y.), Jan. 25, 1945, v. 161: 363, 416-417. HG1.C2.)

Contents: Reviews the reasons why government cannot guarantee full-time employment at standard wages. *Conclusion:* Full employment at standard wages is our goal, but it is not a right to be guaranteed by law.

——— Speech in Senate. U. S. Congress. Daily congressional record, Feb. 19, 1945:1266.

Conclusion: Relates the proposed government guarantee of jobs to the guarantee in the Soviet constitution, and the power that would be conferred in telling everyone where he should work.

U. S. Congress. Senate. Special committee on post-war economic policy and planning. The problem of post-war employment and the role of Congress in solving it. Washington, Govt. print. off., 1944. 11 p. (78th Cong., 2d sess. Senate Report 539, pt. 4.)

Contents: Briefly reviews the various steps that the government should take with respect to providing full employment. *Conclusion:* The first consideration in shaping government policies should be to inspire confidence on the part of management, the investor, the employee, and the consumer.

U. S. National resources planning board. After the war—full employment, by Alvin H. Hansen. Washington, Govt. print. off., 1943. 22 p. HC106.4A25 1943d.

Conclusion: It is the responsibility of government to insure a sustained demand by the people for goods and services, retain economic controls until industry can match supply with demand, vitalize and invigorate private enterprise, check tendencies toward excessive boom, and be prepared to go forward with public-improvement expenditures to offset strong tendencies toward deflation and depression.

The United States in a new world. III: The domestic economy. Fortune (N. Y.), v. 26, Dec. 1942 (Supplement) 21 p. HF5001.F7

Contents: Reviews the Keynesian theory that attention should be concentrated on production of goods and services rather than public debt, gold, banking, etc., and his conclusion that government is more than justified in stepping in to offset savings and maintain consumption. *Conclusion:* Government should underwrite permanent prosperity and maintain reasonably full employment. It should do this first by giving industry its chance to perform, second by increasing individual security through social security, health services, etc., and finally through flexible program of public works. Government must be a better policeman of the free market, prevent the uneconomic decline of competition, and restore competition where it has needlessly declined.

Voorhis, Jerry. Beyond victory. New York, Farrar & Rinehart, 1944. 240 p. U21.V6

Conclusion: The government must guarantee that the market demand for goods will not fall below a point where it can absorb all the goods which industry and agriculture can produce if all able and willing workers are employed. See especially p. 106.

Wagner, Robert F. Address delivered before the ninth Federal savings and loan association, New York, N. Y., May 17, 1945. 5 p. mimeo.

Contents: Discussion of role of government in providing for full employment. *Conclusion:* Government should provide facts about nation-wide employment and business conditions, encourage industry and labor voluntarily to adopt wise wage and price policies, adopt tax policies which would encourage investment, prefer private lending to public lending, stimulate private employment, extend public welfare services, and encourage private enterprise to provide jobs for returning veterans.

Wallace, Henry A. Address. *In* Congress of Industrial Organizations. Political Action Committee. Full employment; proceedings of the Conference on full employment, New York, January 15, 1944, p. 67–74. HC106.4.C536

Conclusion: Inasmuch as the government had to take full responsibility for getting cooperation from all groups to convert our economy from peace to war, it will have to take equal responsibility in converting from war to peace. In certain branches of the economy all that is necessary is to enforce the anti-trust laws, in others it is necessary to make sure that adequate financing is available, but in still other fields of activity it will be necessary to engage in specific physical planning. When the contracts are terminated there will be hundreds of thousands of people out of work unless there is detailed advance planning.

——— Statement. *In* U. S. Congress. Senate. Committee on commerce. Administration of certain lending agencies of the Federal Government. Hearings, 79th Congress, 1st session, on S. 375, January 24 and 25, 1945. Washington, Govt. print. off., 1945. 144 p. HG3729.U5A5 1945 a

Conclusion: The government should take steps to see to it that new jobs are made available whenever the number of gainfully employed drops below 57 million. The government should insure lenders against loss on investments made in promoting jobs where special and abnormal risks are involved. See especially p. 76, 78.

Wright, Ivan. The job-creating power of private enterprise. Commercial and financial chronicle (N. Y.), Mar. 29, 1945, v. 161: 1370, 1377. HG1.C2

Conclusion: The role of the government should be to restore those conditions of free enterprise under which jobs can be created. If government undertakes to provide the jobs, we can look for unemployment, regimentation, higher taxes, and less opportunity and incentive for employers and employees.

2. The Full Employment Bill

All references to the full employment bill are collected here.

Douglas, Helen Gahagan. Address. (Reprint of address at world unity rally. *In* U. S. Congress. Daily congressional record, Mar. 14, 1945: A1281.)

Contents: Points out the value of the bill not only after the war but during the war in reducing the incentive to move out of war jobs.

Editorial comment on the full employment bill. U. S. Congress. Daily congressional record, Apr. 10, 1945: 3309–3312.

Contents: 11 editorials on the full employment bill.

Edson, Peter. States sponsor job bills. Washington daily news, Mar. 27, 1945. (Reprinted in U. S. Congress, Daily congressional record, Mar. 28, 1945: A1687.)

Contents: Discusses proposal in California legislature modeled on the full-employment bill, and prints bill in full text.

Federal-aid plan for post-war jobs: Press reaction. United States news (Washington), Jan. 5, 1945, v. 18: 45. JK1.U65

Contents: Brief excerpts from seven editorials on the full-employment bill.

Garrett, Garet. The rising form of a planned economy. American affairs (N. Y.) Apr. 1945, v. 7: 71–78.

Contents: Considers the full employment bill as part of the planned economy the planners would have for us, and draws a parallel between the statements of the planners here with those in Germany and Italy.

Gragg, Charles I., *and* Stanley F. Teele. The proposed full-employment act. Harvard business review (N. Y.), Spring number, 1945, v. 23: 323–337. HF5001.H3

Contents: Sketches background of bill, analyzes its contents, and points up some of the issues.

Hook, Frank E. Full-employment bill of 1945. U. S. Congress. Daily congressional record, Apr. 5, 1945: A1781–A1784.

Contents: A summary of the full-employment bill, its purposes, and possibilities.

The "job budget." New York times, Jan. 6, 1945: 10.

Contents: An editorial rejoinder to Senator Murray's answer to the original Times editorial of Dec. 23, 1944.

"Jobs for all." Life (Chicago), Mar. 5, 1945, v. 18: 32. AP2.L547

Conclusion: Something like the full-employment bill is needed, but it will not guarantee jobs for all. When jobs rather than "plenty" becomes the criterion of our economic system, capitalism will bow out. The government is a poor job creator, because it cannot generate creative ideas as can individuals depending on ideas for their living.

Keyserling, Leon H. From patchwork to purpose. Survey graphic (N. Y.), Mar. 1945, v. 34: 95–98. HV1.S 82. (Reprinted in U. S. Congress. Daily congressional record, Mar. 28, 1945: 2930–2932.)

Contents: Summarizes the need for, and provisions of, the bill. Shows how it might have prevented the depression of the thirties, and how it will not create the bureaucracy, etc., that might be expected.

Murray, James E. For full-employment bill. New York times, Jan. 6, 1945: 10.

Contents: An answer to the editorial of Dec. 23, 1944, opposing the full-employment bill.

——— Full employment. U. S. Congress. Daily congressional record, Jan. 29, 1945: 557–559.

Contents: Letters from Leo T. Crowley, Edward R. Stettinius, Frances Perkins, Claude R. Wickard, Chester Bowles, and John B. Blandford, Jr.

——— Full employment and social security under a free-enterprise system. Daily congressional record, Apr. 24, 1945: A2041–A2045.

Contents: An explanation of the Full employment bill is included in this address.

——— Full employment and the wholesaler. U. S. Congress. Daily congressional record, June 13, 1945: A3059–3060. (Reprinted from Hosiery wholesaler, Mar. 1945.)

Contents: Brief discussion of the full employment bill with particular reference to its relationship to wholesale distributors and other businessmen.

Murray, James E. How can we make sure of post-war jobs for all? Free world (N. Y.), Mar. 1945, v. 9: 70–72. D410.F78

Contents: A summary of the need for, and provisions of, the full-employment bill.

——— Let's budget for jobs. American federationist (Washington), Jan. 1945, v. 52: 13–14. HD8052.A5A2

Contents: Summary and purpose of the full-employment bill.

——— Questions and answers on the full-employment bill. U. S. Congress. Daily congressional record, Jan. 22, 1945: 394–399.

Contents: A review of what the bill does, and does not, do, and the reasons why it is needed.

——— Reconversion and full employment, address before the Chicago Reconversion Conference, May 24, 1945. Extension of remarks of Hon. Allen J. Ellender. Daily congressional record, May 31, 1945: A2801–A2802.

Contents: Explanation of the full employment bill and its background.

The Murray bill. Commonweal (N. Y.), Feb. 23, 1945, v. 41: 459–460. AP2.C6897. (Reprinted in U. S. Congress. Daily congressional record, Feb. 28, 1945: A978–979.)

Conclusion: The preamble of the bill comes like a "breath of fresh air in our legislative thinking" but the means to be used are debatable.

The Murray bill—Employment for what? Fortune (N. Y.), Apr. 1945, v. 31: 106–107. HF5001.F7

Contents: Questions the ability of the government to make the forecasts necessary to give effect to the bill, and further asks whether job-making is the proper criterion of government policy.

Parker, William. "Budgeted economy." Wall street journal, June 2, 1945: 1, 2.

Contents: Description of the Full Employment bill and plans of the Truman administration concerning it.

Ruml, Beardsley. Cooperation of government and business for prosperity. Commercial and financial chronicle (N. Y.), May 24, 1945, v. 161: 2277, 2306–2307. HG1.C2

Conclusion: The full-employment bill is "the American expression of a world-wide recognition that the people, working together through their national Government, must protect the individual against the hazard of undeserved unemployment." It, standing alone, attempts to do too much and should be buttressed by other measures in the areas of public works, social security and taxation.

Sullivan, Mark. Jobs for all. Washington post, Mar. 16, 1945, p. 14.

Contents: Briefly explains the bill, and concludes that it would "require conformity by all business, farming and labor, State and local governments to a master plan set up and administered at Washington."

Trussell, Charles P. Can prosperity be dictated? Nation's business (Washington), Apr. 1943, v. 33: 21–22. HF1.N4

Contents: A review of the "conflicting but positive decisions" about the full employment bill.

Union for democratic action. [Preliminary pages on the full-employment bill]. Washington, Union for democratic action Washington bureau, 1945. 46 p. mim.

Contents: Analysis of the full-employment bill; recommendations for action by individuals and groups to further its passage; copy of the California State bill and resolution on full employment.

U. S. Congress. Senate. Committee on military affairs. War contracts subcommittee. Legislation for reconversion and full employment. Year-end report, Dec. 18, 1944. Washington, Govt. print. off., 1944. 23 p. (78th Cong., 2d sess. Senate subcommittee print No. 12.)

Contents: A review of the background of the full employment bill, and reasons for it.

Wagner, Robert F. Address delivered before the ninth Federal savings and loan association, New York, N. Y., May 17, 1945, 5 p. mimeo.

Contents: A brief explanation of the Full Employment Bill is given.

——— Summary of reports to the Banking and currency committee from thirty-one Federal agencies supplying their answers to . . . questions. Washington, Govt. print. off., 1945.

Contents: Contains the answers of the agencies to the following four questions: I. "If we were assured of continuing full employment after the war, what might the effect be on the sectors of our economy with which your agency is concerned?" II. "If S. 380 were enacted by Congress, what might be the role of your agency in helping achieve continuing full employment?" III. "In the present planning of your agency's post-war activities what assumptions, if any, have you made with regard to the post-war level of the gross national product, the national income, and employment?" IV. "What specific improvements in S. 380 might be considered by the Banking and currency committee?"

Wallace, Henry A. Jobs for all. New republic (N. Y.), Jan. 29, 1945, v. 112: 138–140. AP2.N624

Contents: Reviews the reasons why he approves the principle of the full-employment bill.

3. Government Planning

The necessity and direction of government planning is the subject matter of this subdivision. Some references also point out the danger of government planning.

Adams, James T. "Planners" see where planning leads. Barron's (N. Y.), v. 24, Jan. 31, 1944: 3. HG1.B3

Contents: Planners now openly admit the direction that planning leads. *Conclusion:* Planners would throw away democracy. We would have a national economy run by government officials. The government would control the daily lives of the people.

Beveridge, William H. Full employment in a free society. New York, W. W. Norton, 1945. 429 p. HD5767.B42 1945

Conclusion: The essence of the policy for full employment is the setting up of a long-term program of planned outlay directed by social priorities and designed to give stability and expansion to the economic system (p. 29, 31). The main instrument of the policy is a new type of budget which would not only help determine public outlay but also influence private outlay. See especially p. 29–31, 150–151.

Copeland, Morris A. How to achieve full and stable employment. American economic review (Evanston, Ill.), March 1944, v. 34: 134–147. HB1.E26

Conclusion: 3 budgeting steps necessary for achieving full employment are: (1) to determine what surplus of prospective expenditure projects is available to raise the level of total business activity; (2) to plan additional public expenditure projects so as to provide such a surplus, if necessary, or alternatively, to provide incentives to additional business in the area of free production; and (3) to schedule the surplus so that it will raise the level of business activity, and at the same time provide for replenishing the surplus so as to avoid the danger that the level of business activity will be lowered again by exhaustion of the surplus.

Garrett, Garet. The rising form of a planned economy. American affairs (N. Y.), Apr. 1945, v. 7: 71–78.

Contents: A review of the background and history of planning in the United States. Draws a parallel between the statements of our "planners" and those of Germany and Italy.

Goldenweiser, E. A. Post-war problems and policies. Federal reserve bulletin (Washington), Feb. 1945, v. 31: 112–121. HG2401.A5

Conclusion: Points out the need of having some person in the government for recommending over-all economic policies. Advisory committees should be drawn from the departments, Congress, and economic groups. See especially p. 117.

Great Britain. Ministry of Reconstruction. Employment policy. May 1944. London, H. M. Stationery Off., 1944. 31 p. (Command Paper 6527). HC256.4.G7A5 1944

Conclusion: Public investment can be used directly as an instrument of employment policy by the following procedure: local authorities will submit annually to the appropriate Department their program of capital expenditure for the next 5 years. These programs will be coordinated by an appropriate body, and will be adjusted, upward or downward, in the light of the latest information on the prospective employment situation. To slow down programs the Government can withhold loan sanctions or grants; to accelerate them, the Government can grant loan sanctions or otherwise facilitate finance. Method may be applied to programing capital expenditure by public utility companies. By this means the Government can set each year a target for the whole volume of public works in the succeding year.

Hayek, Friedrich A. The road to serfdom. Chicago, University of Chicago press, 1944. 250 p. HD82.H38 1944a

Conclusion: Sees a parallel between the direction planning is now taking the democracies and the way it led Germany and Italy.

Lorwin, Lewis L. Time for planning. New York, Harper & brothers, 1945. 273 p. HC106.4.L65

Contents: The subtitle of this work is "A social-economic theory and program for the Twentieth Century." It is a collection of some previous writings of the author to which have been added considerable new matter. There is a discussion of what is national planning, the need for it, the contrast with individual and corporation planning, its objectives, the confusion in identifying planning with Nazism or Communism, the history of planning, planning in a democracy, etc.

Murray, Philip. C. I. O. reemployment plan. Washington, C. I. O. Department of research and education, 1945. 29 p.

Conclusion: National production councils should be set up, as well as industry councils, composed of representatives of labor, industry, agriculture, and government. Annual minimum production goals must be established for all basic industries, which will add up to a national production goal equal to our capacity. See especially p. 9–12.

Oxford university. Nuffield college. Employment policy and organization of industry after the war. London, Oxford university press, 1943. 70 p. HC256.4.O915

Conclusion: A central public agency charged with planning for national development, including economic planning, should be established. This agency should include a National Development Board, to which would be entrusted the control of funds available for public investment and the supervision of all State investments in productive enterprise.

Shields, Murray, *and* Donald B. Woodward. Prosperity: We can have it if we want it. New York, McGraw-Hill, 1945. 190 p. HC106.4.S53

Conclusion: We must have an organized study of the problem of prosperity. We need a national economic committee to conduct hearings, develop a program, and counsel with the legislative and administrative agencies. See especially p. 183–187.

Smith, Harold D. Government planning for a high level of employment in the post-war period. *In* U. S. Congress. House. Special committee on post-war economic policy and planning. Post-war economic policy and planning. Hearings, 78th Congress, 2d session . . . pursuant to H. Res. 408. Pt. 2: 407–411. Washington, Govt. print. off., 1944. HC106.4.A2889

Contents: Reviews the need for coordinated planning by the Federal Government. *Conclusion:* Provision should be made for planning facilities in the Executive Office. See especially p. 407–411.

Stead, William H. Democracy against unemployment; an analysis of the major problem of post-war planning. New York, Harper & bros., 1942. 280 p. HD5706.S8

Conclusion: A government planning agency should: (1) serve as a clearing house of information on employment stabilization techniques; (2) be the promoter of basic research, private and public; (3) provide a digest of pertinent data of legislative and other policy-making bodies. See especially p. 94–101.

Wallace, Henry A. Address. *In* Congress of industrial organizations. Political action committee. Full employment: proceedings of the Conference on full employment. New York, January 15, 1944, p. 67–74. HC106.4.C536

Conclusion: Planning by government must be on a broad basis and not on a little basis. The Federal Government will have the responsibility of paying the interest on more than $200 billion. The only sound way to pay this interest is by the maximum use of productive labor.

4. Public Works

The role of public works in contributing to full employment is the subject of items listed here.

Baruch, Bernard M., *and* John M. Hancock. Report on war and post-war adjustment policies. February 15, 1944. Washington, Govt. print. off., 1944. 108 p. HC106.4.A2867 1944c

Conclusion: Planning, designing, and engineering of worth-while public-works projects should be pressed immediately and put on the shelf for use as needed.

Chase, Stuart. Goals for America: A budget of our needs and resources. New York, Twentieth century fund, 1942. 134 p. HC106.4.C4

Contents: The role of public works in relieving unemployment. See especially p. 100–112.

Hansen, Alvin H., *and* Guy Greer. Toward full use of our resources. Fortune (N. Y.), Nov. 1942, v. 26:130–133. HF5001.F7

Contents: Discusses the need for public investment, timing of the investment, some of the improvements needed, etc. *Conclusion:* The various kinds of needed public expenditure can be made to provide all the flexibility needed to maintain full employment.

Higgins, Benjamin. Problems of planning public work. *In* Post-war economic problems, ed. by Seymour E. Harris. New York, McGraw-Hill, 1943, chap. XI, p. 187-205. HD82.H29

Contents: Said to be "One of the best summaries of the post-war role of public works."

——— The United States public work reserve. International labour review (Montreal), Nov. 1944, v. 50: 581–602. HD4811.I65

Contents: Reviews efforts at Federal planning and coordinating of planning of public works projects. *Conclusion:* Unless the Federal Government provides funds to state and local governments for planning, and also expresses its intention to resume Federal aid to help finance projects, we shall have no adequate reserve of plans large enough to sustain full employment.

Hirsch, Julius. Facts and fantasies concerning full employment. American economic review (Evanston, Ill.), Mar. 1944, v. 34: 118–127. HB1.E26

Conclusion: Public and semipublic enterprise shall be expanded within the limits of a balanced budget; construction particularly shall be furthered by all means.

Lester, Richard A. Providing for unemployed workers in the transition. New York, McGraw-Hill, 1945. 152 p. (Committee for economic development research study.) HD5724.L42

Contents: A program of public works needed for the transition period is analyzed. *Conclusion:* Federal, state, and municipal programs of public works should be prepared to meet "curtailed-spending" unemployment. Transition programs should be highly flexible. Successive levels of projects should be planned for introduction if the volume of long-term unemployment indicates a need for them. Federal subsidy for non-federal public construction is undesirable. Emergency or low-utility projects should occur only if better projects and measures to stimulate private spending fail to prevent a large volume of long-term unemployment.

Murray, Philip. C. I. O. reemployment plan. Washington, C. I. O. Department of research and education, 1945. 29 p.

Contents: Reviews opportunities with respect to airports, railways, highways, housing, regional development, etc.

Nathan, Robert R. Mobilizing for abundance. New York, Whittlesey house, 1944. 228 p. HC106.4.N32

Conclusion: Public works and other forms of spending are necessary if private spending is inadequate to provide full employment.

Pierson, John H. G. Fiscal policy for full employment. Washington, National planning association, May 1945. 54 p. (Planning pamphlets, No. 45.) HC101.N352 No. 45

Contents: Discusses the role of public works in a compensatory fiscal policy. *Conclusion:* Public works would provide the last line of defense against unemployment. An adequate reserve shelf of useful construction and service projects should be prepared. Incentive to return to private employment should be provided not through low wages but rather through priority for private work. This would be done through having private employers inform the Employment Service of their respective needs, and the Service would call upon an agency performing the public works to terminate compensatory projects.

Prosperity—How to get it—How to keep it. New republic (N.Y.), Nov. 27, 1944 (Special section) v. 111: 707–726. AP2.N624

Conclusion: Public works expenditures, using plans which should be prepared in advance, could be used as a flywheel to control the wild gyrations of our economy. See especially p. 710.

Ruml, Beardsley. Four post-war fiscal problems. Commercial and financial chronicle (N. Y.), May 25, 1944, v. 159:2169, 2174. HG1.C2

Conclusion: Public works cannot be used to stabilize the business cycle, but can be used to stabilize the construction industry.

Sheldrick, P. T. $13 billion worth of public works planned for post-war by states and municipalities. Magazine of Wall Street (N. Y.), Mar 3, 1945, v. 75: 573–574+. HG4501.M3

Contents: Summarizes the fiscal situation and plans of states and cities with respect to post-war public works, and some of the implications.

Shields, Murray, *and* Donald B. Woodward. Prosperity: We can have it if we want it. New York, McGraw-Hill, 1945. 190 p. HC106.4.S53

Conclusion: There should be no Federal works expenditures except those which can be justified as aids to production. Federal influence as to timing might be brought to bear on state and local expenditures through planning and allowing investment of surpluses with Federal agencies.

Stead, William H. Democracy against unemployment; an analysis of the major problem of post-war planning. New York, Harper & bros., 1942. 280 p. HD5706.S8

Conclusion: Public-work projects should be planned to cover long periods of time and controlled so that they are greatly restricted in volume during periods of large business activity and quickly expanded in periods of depression. Public works should be planned to offset the fluctuations in private construction. The adoption of a "Flexible Budget" to adjust the amount of public works to the employment situation is suggested. See especially p. 106–111.

Taft, Robert A. Guaranty of full-time employment at standard wages. (Reprint of address before National industrial conference board. *In* U. S. Congress. Daily congressional record, Jan 22, 1945: A229–232; also in Commercial and financial chronicle (N. Y.), Jan. 25, 1945, v. 161, no. 4354: 363, 416–417. HG1.C2.)

Contents: Why it is impractical to guarantee government employment on public works.

U. S. Congress. Senate. Special committee on post-war economic policy and planning. The problem of post-war employment and the role of Congress in solving it. Washington, Govt. print. off., 1944. 11 p. (78th Cong., 2d sess. Senate Report 539, pt. 4.)

Contents: Reviews the need of adopting a policy with respect to public works, and especially in relation to Federal aid.

U. S. National resources planning board. Development of resources and stabilization of employment in the United States. Washington, Govt. print. off., 1941. 409 p. (77th Cong., 1st sess., House Doc. 142). HC106.4.A25 1941b

Contents: A 6-year program of public construction and a statement of related future policies and plans of the Federal Government. Contains findings and recommendations of the board with respect to a Federal program for national development, statements of 10 regional development plans, and studies on national policies for developing land, water, and energy resources.

U. S. National resources planning board. Security, work, and relief policies. Washington, Govt. print. off., 1942, 640 p. HV85.A53 1942

Conclusion: The government should provide work for all adults who are able and willing to work, if private industry is unable to provide employment. See especially p. 545.

——— *Land committee.* Area analysis—a method of public works planning. Washington, Govt. print. off., 1943. 40 p. HC106.4.A2 No. 6a

Contents: Sets out a method of "integrated area analysis" for some 200 areas in the U. S. to aid in planning public works to avoid unemployment after the war.

Wagner, Robert F. Address delivered before the ninth Federal savings and loan association, New York, N. Y., May 17, 1945. 5 p. mimeo.

Conclusion: Investment in housing is vital to prosperity. Private enterprise should be encouraged to come as near to this goal as it can. Public housing would be supplementary and non-competitive.

Wallace, Henry A. Address. *In* Congress of industrial organizations. Political action committee. Full employment: proceedings of the Conference on full employment. New York, January 15, 1944, p. 67–74. HC106.4.C536

Conclusion: We must have a vast stock pile of blueprints for public roads, schools, sewers, reforestation, irrigation dams, and flood-control projects for every state in the union so that if employment falters for any length of time in any area government employment may be promptly thrown into the breach.

——— Statement. *In* U. S. Congress. Senate. Committee on commerce. Administration of certain lending agencies of the Federal Government. Hearings. 79th Congress, 1st session . . . on S. 375, January 24 and 25, 1945. Washington, Govt. print. off., 1945. 144 p. HG3729.U5A5 1945a

Contents: Discusses the need of a planned public-works program for providing private employment. See especially p. 78, 103–104.

5. Social Security (Except Unemployment Compensation)

A few items listed here relate social security in general to the problem of full employment. Unemployment compensation is considered below under the heading—"Labor" (D–4).

Beveridge, William H. Full employment in a free society. New York, W. W. Norton, 1945. 429 p. HD5767.B42 1945

Contents: Discussion of social security, national health service, education, nutrition, fuel and other necessities, town and country planning, housing and transport, as immediate objectives in a full employment program. *Conclusion:* The Beveridge plan for social security set out in November 1942 would, if adopted, help materially towards maintenance of employment by expanding and maintaining private consumption outlay.

Burns, Eveline M. Social security and our post-war economy. Journal of educational sociology (N. Y.), Nov. 1943, v. 17: 132–142. L11.J76

Conclusion: In any program for full employment, social security is a necessary element. An adequate minimum income for all would provide a floor to consumer purchasing power.

Great Britain. Ministry of Reconstruction. Employment policy. May 1944. London, H. M. Stationery off., 1944. 31 p. (Command Paper 6527). HC256.4.G7A5 1944

Conclusion: The weekly contribution to be paid by employers and employees under the new system of social insurance would fluctuate with the state of employment. The rate of contribution would exceed the standard rate when unemployment fell below the estimated average level and would be less than the standard rate when unemployment exceeded this average. The purpose is to maintain purchasing power and reduce the variations in total expenditure and employment.

Liberal party committee on full employment. The government's employment policy examined. London, Liberal publication department, 1944. 7 p. HC256.4.L4 1944

Conclusion: The proposal to use the machinery of the social insurance system to increase purchasing in bad times and cut it down in good times (as proposed in Cmd 6527) is opposed. The proposal throws overboard all pretense that the system is based on insurance principles. It is true that in good times many can afford high contributions, but the opposite may be true for some workers.

Murray, James E. Full employment and social security under a free-enterprise system. Daily congressional record, Apr. 24, 1945: A2041–A2045

Contents: Social security as it is related to full employment is discussed, including such aspects as unemployment compensation, disability insurance, medical and hospitalization insurance, public assistance, and social security finances.

National planning association. *Agriculture, business and labor committees on national policy.* Joint statement on social security. Washington, the Association, April 1944. 36 p. (Planning pamphlets, No. 33.) HC101.N352. No. 33

Contents: A review of the inadequacies of the present system, the need for improvements, recommendations, estimates of costs, etc. *Conclusion:* Recommendations extend to broader coverage for old age, increased payments, sickness and disability insurance, Federal aid to states (inversely with wealth) for general relief, administrative changes, etc.

6. Monetary Policy

The relation of monetary policy to full employment is the subject of this very incomplete list.

Boulding, Kenneth E. The economics of peace. New York, Prentice-Hall, 1945. 278 p. HB171.B63

Contents: Reviews proposals to increase velocity of circulation by use of depreciating stamp money, or taxing bank deposits. *Conclusion:* Something can be said for the schemes, but their feasibility is questioned. See especially p. 151–153.

Pierson, John H. G. Full employment. New Haven, Yale university press, 1941. 297 p. HD5724.P5

Contents: Discussion of monetary controls to assure adequate consumer spending, how to avoid inflationary excesses as well as deficit spending, and the monetary principles of a full-employment market economy. *Conclusion:* The monetary system should be recognized as an instrument to be used for social purposes. When consumer spending falls short of the guaranteed rate (guaranteed by the government in Pierson's proposal) so that the government needs to add to consumer purchasing power, the government will have to borrow, levy additional taxes, or print non-interest-bearing notes. The government may achieve the socially necessary monetary ends by way of influence exerted upon banks, through or in parallel with the Federal Reserve System, and partly by way of supplementary operations of a borrowing-lending character, carried on directly with production enterprise or with individual consumers by public agencies.

Ruml, Beardsley, *and* H. Christian Sonne. Fiscal and monetary policy. Washington, National planning association, July 1944. 42 p. (Planning pamphlets, No. 35). HC101.N352 No. 35

Contents: Reviews the relation of fiscal policy to full employment. *Conclusion:* Monetary policy should be prepared to combat inflationary or deflationary tendencies. Banks must afford reasonable credit facilities, but at same time must not be hamstrung by unduly critical bank examiners.

Shields, Murray, *and* Donald B. Woodward. Prosperity: We can have it if we want it. New York, McGraw-Hill, 1945. 190 p. HC106.4.S53

Conclusion: Changes must be made in the monetary system to prevent inflation and depression. There is real need for coordinating credit control.

Voorhis, Jerry. Beyond victory. New York, Farrar & Rinehart, 1944. 240 p. U21.V6

Conclusion: If in a given year, production increases by 5%, then the national government should create and spend into circulation, in lieu of tax revenue and without any increase in interest-bearing debt, an amount of new purchasing power equal to 5% of the total of money previously in existence. See especially p. 108.

Wernette, J. Philip. The full-employment standard. Controller (N. Y.), Aug. 1944, v. 12: 338–340. HF5001.C77

Conclusion: A Business Cycle Control Authority, guided by reliable statistics on unemployment, should issue new money in whatever amounts may be necessary any time that a depression threatens, so as to stimulate industry and maintain employment at the practicable maximum.

7. Fiscal Policy (Except Taxation)

Public spending to promote full employment is the subject of the items collected here. Deficit-spending, debt, etc., are included. Taxation is considered under the immediately succeeding subhead (B–8).

Beveridge, William H. Full employment in a free society. New York, W. W. Norton, 1945. 429 p. HD5767.B42 1945

Contents: In appendix C by Nicholas Kaldor are discussed alternative methods of securing full employment by fiscal policies; basic alternatives are increased public expenditure covered by loans, the same covered by taxation, increased private spending brought about through remission of taxation, and the same brought about through changing the incidence of taxation or imposing a combined system of taxes and subsidies. See especially p. 345–349.

Bissell, Richard. Post-war private investing and public spending. *In* Post-war economic problems, ed. by Seymour E. Harris, New York, McGraw-Hill, 1943, chap. V, p. 83–110. HD82.H.29

Contents: Summarizes the case against public spending to provide full employment. *Conclusion:* Public spending may involve the neglect by the government of other activities that are fully as necessary for the health of the free-enterprise system. Deliberately expanded expenditures of depression years usually go for objects far down in the scale of citizens' preference.

Chase, Stuart. Where's the money coming from? New York, Twentieth century fund, 1943. 179 p. HJ257.C5

Contents: Elaborates the principle of a compensatory economy, under which "businessmen largely own and operate the means of production, but where the government underwrites full employment by its control of existing financial machinery."

Eccles, Marriner S. "Where's the money coming from?" Survey graphic (N. Y.), May 1943, v. 32: 189–191. HV1.S82

Conclusion: There is no justification for government expenditures for employment in times of full employment. But it is the government's responsibility to exert its fiscal and monetary powers so that more funds will go into consumption rather than savings in order that a balance may be achieved which is vital to production and employment.

Fine, Sherwood M. Public spending and post-war economic policy. New York, Columbia university press, 1944. 177 p. HC106.4.F44

Contents: Discusses public spending, pump priming, etc., and their place in post-war economic policy. Reviews and appraises compensatory spending and doctrine of secular stagnation, and public-debt limits.

Goldenweiser, E. A. Post-war problems and policies. Federal reserve bulletin (Washington), Feb. 1945, v. 31: 112–121. HG2401.A5

Conclusion: Every effort should be made to balance the budget and to diminish the debt during periods of prosperity, but in a recession, little attention should be paid to the budget.

Hahn, L. Albert. Compensating reactions to compensatory spending. American economic review (Evanston, Ill.), Mar. 1945, v. 35: 28–39. HB1.E26

Contents: Review of "fallacies" in some of Keynes' implications with respect to spending, as well as the general assumption underlying the entire system.

Halasi, Albert. The problem of full employment. International post-war problems (N. Y.), Dec. 1943, v. 1: 41–85.

Contents: Reviews the arguments for and against a policy of compensatory public spending. *Conclusion:* Strongly favorable to the policy of compensatory public spending. See especially p. 75–78.

——— Survey of recent American literature on post-war economic security. International post-war problems (N. Y.), Dec. 1943, v. 1: 120–137.

Contents: A concise statement of both sides of the controversy surrounding the place of compensatory public spending as a means of creating jobs. Bibliography. See especially p. 120–122.

Hansen, Alvin H. Fiscal policy and business cycles. New York, W. W. Norton & Co., 1941. 462 p. HB3711.H315

Contents: Discusses the role of fiscal policy with respect to unemployment, the shifts in government expenditure and in Federal tax structure, developments in budgetary theory and practice, and the role of the public debt. Also considers the cyclical aspects of fiscal policy and adjustment of tax rates in the business cycle. *Conclusion:* Fiscal policy must be conceived in terms of impact upon the whole economy. Public debt, taxes, and changes in the money supply are all part of a balancing mechanism, the reliance on each depending on a variety of considerations. When private business outlays decline, the government alone is in a position to go forward and sustain income through increased public expenditures. Whether a public debt should be reduced depends exclusively upon the general economic situation. Etc. etc.

Harris, Seymour E. The price of prosperity. I. Spending and employment after the war. New republic (N. Y.), Jan. 15, 1945, v. 112: 73–76. AP2.N624

Contents: Discussion of the relationship between public debt, national income, and employment. *Conclusion:* Increase in public debt has been beneficial in some respects, by increasing the availability of liquid assets. In a growing economy the rising debt need not concern us; in a declining economy, we rely on public investment only because in its absence national income may fall far more. . . . Our national income, in 1960, despite a $400 billion debt, should be more than three times that of the thirties.

Higgins, Benjamin, *and* Richard A. Musgrave. Deficit finance—The case examined. *In* Public policy, ed. by C. J. Friedrich, *and* Edward S. Mason. Cambridge, Mass., Harvard university, Graduate school of public administration, 1941, p. 136–207. JA51.P8

Contents: Surveys the argument (from the economist's point of view) for public spending to provide jobs. *Conclusion:* Though deficit finance is no panacea, provides many difficulties, and may be detrimental, it does provide (under favorable conditions) an effective means of combating underemployment, and is a weapon in our arsenal of public policies.

Liberal party committee on full employment. The government's employment policy examined. London, Liberal publication department, 1944. 7 p. HC256.4.L4 1944

Conclusion: The British white paper (Cmd 6527) has a basic error in it with respect to balancing the budget. Even a temporary unbalance is ineffective if rule of balancing over a comparatively short period is enforced. A truly balanced budget is one which brings the whole economy of the country into balance. There is no danger in deficit financing so long as burden of interest expressed in proportion to total income of the nation does not rise.

Pierson, John H. G. Fiscal policy for full employment. Washington, National planning association, May 1945. 54 p. (Planning pamphlets, No. 45.) HC101.N352 No. 45

Contents: Analyzes reasons why a positive fiscal policy is essential for assuring full employment. *Conclusion:* Because savings will tend to be too large and spending too small, automatic forces cannot be counted upon to bring about a sufficient volume of effective demand after reconversion. Some government expenditures for health, education, housing and conservation will help expand individual purchasing power, but direct expansion of the incomes of the lower income groups is preferred. Eventually this group must be aided by a more progressive system of taxes, expansion of social security benefits, and higher wages, but in the meantime supplementary fiscal action is necessary. Such action would include (1) an underwriting of consumer spending by allowing offsets to taxes, and (2) a reserve shelf of useful public works and work projects. Protections against over-spending and inflation are also provided.

Ruml, Beardsley, *and* H. Christian Sonne. Fiscal and monetary policy. Washington, National planning association, July 1944. 42 p. (Planning pamphlets. No. 35.) HC101.N352 No. 35

Contents: Reviews the relation of fiscal policy to full employment. *Conclusion:* Government loans and expenditures can be used to assist in maintaining effective demand. Public expenditures cannot be expected to level out the business cycle, but they should be planned to stabilize the construction industry. Deficits must be accepted in time of unemployment, but we cannot dismiss the debt as of no importance because we owe it to ourselves.

U. S. National resources planning board. After the war—full employment, by Alvin H. Hansen. Washington, Govt. print. off., 1943. 22 p. HC106.4.A25 1943d

Conclusion: Policy with respect to balancing the budget and retiring debt should depend on economic conditions. A public debt internally held has none of the essential earmarks of a private debt. See especially p. 6–8.

Voorhis, Jerry. Beyond victory. New York, Farrar & Rinehart, 1944. 240 p. U21.V6

Conclusion: Deficiencies in purchasing power should be relieved not by increasing interest-bearing debt but rather through debt-free money. See especially p. 108.

8. Tax Policy

The items listed here discuss the relation of taxation to full employment.

Beveridge, William H. Full employment in a free society. New York, W. W. Norton, 1945. 429 p. HD5767.B42. 1945

Contents: In appendix C, by Nicholas Kaldor, are discussed alternative methods of securing full employment by fiscal policies; basic alternatives are: increased public expenditure covered by loans, the same covered by taxation, increased private spending brought about through remission of taxation, and the same brought about through changing the incidence of taxation or imposing a combined system of taxes and subsidies. See especially p. 345–349.

Boulding, Kenneth E. The economics of peace. New York, Prentice-Hall, 1945. 278 p. HB171.B63

Conclusion: Proposes an "Adjustable tax plan" under which the rate of income tax would depend on the movement of money income during the preceding month. Thus, if there is a specified rise in money income, the tax rate will be increased to prevent inflation If money income has fallen, the rate will be lowered to counteract this decline in income and so to prevent deflation and unemployment. See especially p. 160–182.

Committee for economic development, *Research committee.* A post-war Federal tax plan for high employment. New York, the Committee, August 1944. 47 p. HJ2377.C62

Contents: Presents a tax plan designed to achieve a high level of production and employment. *Conclusion:* The graduated personal income tax should provide at least one-half the Federal revenues needed, excise and sales taxes and taxes applied directly against business operations should be lightened, present serious inequities should be removed, and taxes heavy enough to stop the uninterrupted rise in Federal debt and to produce a surplus when a high level of employment and production is reached.

Eccles, Marriner S. Possibilities of post-war inflation and suggested tax action. Federal reserve bulletin (Washington), Mar. 1944, v. 30: 222–227. HG2401.A5

Contents: The place of taxation in the full-employment problem and suggestions for action.

Fernald, Henry B. Taxation and employment. Mining congress journal (Washington), Apr. 1945, v. 31: 40–41, 44.

Conclusion: Tax reforms recommended in the interest of high employment include repeal of the excess profits tax, tax rates low enough to maintain incentive for investment and business activity, adequate allowance for capital return, tax laws and regulations easy to understand. Opposition to undistributed profits taxes is expressed.

Goldenweiser, E. A. Post-war problems and policies. Federal reserve bulletin (Washington), Feb. 1945, v. 31: 112–121. HG2401.A5

Conclusion: Taxation should be viewed as part of the social and economic program, and designed to encourage progress. Perhaps we should have a flexible scale of taxation by which the administration would have authority to give tax incentives for construction during periods of contraction.

Groves, Harold M. Production, jobs, and taxes. New York, McGraw-Hill, 1944. 116 p. (A Committee for economic development research study.) HJ2377.G74

Contents: Study of a tax system which will help achieve higher production and more jobs. *Conclusion:* Fairness, adequacy, and incentives should be balanced. Incentives are impeded more by business taxes than by personal taxes on the investor. Reductions immediately after the war should be conservative, major reductions to be made thereafter. Peacetime revenues and expenditures should be balanced at reasonably high levels of income and employment; at times a surplus should be produced.

Hansen, Alvin H., *and* Guy Greer. Toward full use of our resources. Fortune (N. Y.), Nov. 1942, v. 26: 130–133+. HF5001.F7

Conclusion: High taxes will be needed during the transition period to prevent price inflation. But during peacetime, if there is to be enough effective purchasing power to provide full employment, low-income groups must not have their already inadequate income further lowered. Rather, progressively higher taxes must be imposed on large incomes, and there should be a shift away from taxes on business as such. Special low rates should be imposed on income from new investment. See especially p. 176, 178.

Howenstine, E. Jay. The economics of demobilization. Washington, Public affairs press, 1944. 336 p. HC106.4.H67

Conclusion: Taxation should be a flexible instrument throughout the transition. Wartime levels should be maintained during first post-war year, and then the burden should be gradually shifted from lower to upper income classes. See especially p. 25–26, 63–64, 319.

Johnston, Eric. America unlimited. Garden City, Doubleday, Doran, 1944. 254 p. HC106.4.J64

Conclusion: Our taxes are not objectionable because they take too large a slice of private income, but rather because they take their slice in a manner best calculated to discourage and prevent job making.

Kimmel, Lewis H. Post-war tax policy and business expansion. Washington, The Brookings institution, 1943. 43 p. HJ4652.K44

Contents: Discussion and recommendations with respect to a tax system. *Conclusion:* Business expansion must be provided if there is to be full employment, and tax policy is one of the most important if that expansion is to be achieved.

Magill, Roswell. Business expansion and the tax structure. Academy of political science, *New York*. Proceedings. Jan. 1945, v. 21: 28–34. H31.A4

Contents: Reviews some of the principles that should govern the framing of the post-war tax structure, and some of the problems to be met. *Conclusion:* The tax system should be devised principally for revenue purposes. A tax system cannot bring about prosperity, but a bad system can make business expansion difficult or impossible. The excess profits tax should be repealed, double taxation of corporate dividends should be eliminated, individual income tax rates should be lowered somewhat, and perhaps the exemptions should be raised and a 5-percent retail sales tax substituted.

Nathan, Robert R. Mobilizing for abundance. New York, Whittlesey house, 1944. 228 p. HC106.4.N32

Conclusion: Tax incentives should be granted for new investments, taxation should be more progressive (being made lighter in lower brackets where people will spend more). Progressive taxes should play an increasing part in financing social security.

National planning association. National budgets for full employment. Washington, National planning association, 1945. 96 p. (Planning pamphlets, Nos. 43 and 44.) HC101.N352 Nos. 43-44

Conclusion: To decrease the amount of income withdrawn from the flow of private purchasing power, taxes can be reduced well below wartime levels, while still providing revenues for a sizable Government budget. Increased expenditure by individuals could be approached by a tax directed at unused savings. Taxes laid in such manner as to reduce the effective consuming power of individuals can be changed.

Newcomer, Mabel. Post-war taxes and full employment. Survey graphic (N. Y.), Feb. 1945, v. 34: 60-62+. HV1.S82

Contents: Briefly reviews several of the principal proposals for post-war tax plans. *Conclusion:* If the acceptable goal of full employment is to be attained, taxes must be shaped to that end. However, it should be noted that full employment is the first essential to solution of the tax problem, rather than tax policy providing the solution to the problem of full employment.

Pierson, John H. G. Fiscal policy for full employment. Washington, National planning association, May 1945. 54 p. (Planning pamphlets, No. 45.) HC101.N352 No. 45

Contents: Reviews basic tax policies and their relation to full employment. *Conclusion:* A good tax system is effective in promoting full employment. It would also balance the budget unless by so doing it conflicted with full employment. To the extent that taxes take away from consumers money that would be used for consumption there is no increase in production, but to the extent that taxes take away income that would not be spent a contribution is made to employment. Thus government spending should be based upon taxes levied chiefly on those with substantial incomes. Excise taxes should be reduced. About half of Federal revenues should come from individual income taxes, personal exemptions from income tax should be raised to the amount considered to be the minimum requirement for an American standard of living; substantial reliance must be placed on the corporate income tax. Estate taxes should be raised very considerably.

Ruml, Beardsley. Cooperation of government and business for prosperity. Commercial and financial chronical (N. Y.), May 24, 1945, v. 161: 2277, 2306-2307. HG1.C2

Conclusion: Tax rates should be lowered to the point where they will balance the budget at an agreed level of high employment and then left alone except as there are major changes in national policy. The principle of progressive income taxes and estate taxes as the best way to avoid interference with purchasing power should be held onto. Important excise taxes should be kept for the time being, the rest eliminated.

Ruml, Beardsley, *and* H. Christian Sonne. Fiscal and monetary policy. Washington, National planning association, July 1944. 42 p. (Planning pamphlets, No. 35). HC101.N352 No. 35

Contents: Reviews post-war tax problems, recognizing that taxation should contribute to attaining high employment, though the system will be determined by many other considerations. *Conclusion:* Tax recommendations are based on 2 propositions: (1) revenues should balance expenditures when 55 million persons are employed and should provide for amortizing the debt when employment exceeds that level; (2) business should be permitted generally to conduct its affairs free of Federal income-tax considerations.

Shields, Murray, *and* Donald B. Woodward. Prosperity: We can have it if we want it. New York, McGraw-Hill 1945. 190 p. HC106.4.S53

Contents: Outlines a system of post-war taxation designed on the theory that we need a tax system under which capital (both individual and corporate) will come out of the storm cellar and get back to work providing better tools for more employment. See especially p. 147-153.

Sloan, Alfred P. The importance of jobs. Academy of political science, *New York*. Proceedings, Jan. 1945, v. 21: 197–210. H31.A4

Conclusion: Our hodge-podge tax system has been too concerned with raising money for relief and too little with eliminating relief by encouraging business development. It should be recognized that just as lower prices mean expanding volume, lower taxes mean increased dollar revenue through expanding the tax base. See especially p. 257.

Stead, William H. Democracy against unemployment; an analysis of the major problem of post-war planning. New York, Harper & bros., 1942. 280 p. HD5706.S8

Conclusion: Three desirable changes in the tax program are: (1) a larger proportion of taxes must be collected by the Federal Government since state and local tax sources rest too heavily on property and consumption (2) a larger proportion of the tax load should be shifted away from consumption, pay roll, and miscellaneous internal revenue taxes to personal and corporate income taxes, profits taxes, estate and gift taxes; (3) more sharply progressive rates in income and profits taxes. In the long run the bulk of the funds must come from taxation, and here it is essential that the tax structure itself be streamlined to contribute to the gradual readjustment or redistribution of purchasing power which we believe to be essential to the achievement of full use of our expanding productive capacity. See especially p. 211–214, 221.

Twin Cities research bureau. Post-war taxes. St. Paul, the Bureau, June 1944. 27 p. HJ2377.T88

Contents: An outline of a tax plan that will stimulate and encourage high levels of production and consumption. *Conclusion:* The principal finding or thesis is that relatively heavy corporate income taxes are not as harmful to the private enterprise system as are heavy individual income-tax rates. Proposes corporate income-tax rates of 25% to 40%, personal income-tax rates ranging from 10% to 60%, exempting from personal income taxes 40% of dividends received, a 5% retail sales tax with no exemptions, etc., etc.

The United States in a new world. III. The domestic economy. Fortune, (N.Y.) v. 26, Dec. 1942 (Supplement). 21 p. HF5001.F7

Conclusion: High initial taxation should be maintained after the war to check post-war inflation, but when inflationary pressures subside, taxes should have as their purpose the stimulation of the maximum activity, investment, and change of which industry is capable. It may be that corporation income taxes should be repealed. It must be remembered, too, that high personal income taxes may deter investment. See especially p. 16.

Upgren, Arthur R. Expanding civilian production and employment after the war; objectives and guides to policy. American economic review, May 1945, v. 35: 67–84. HB1.E26

Conclusion: The corporate income tax reform is foremost among measures intended to enlarge private enterprise activity. An "antimonopoly-anti-inflation tax" is also recommended.

Voorhis, Jerry. Beyond victory. New York, Farrar & Rinehart, 1944. 240 p. U21.V6

Conclusion: The levy of almost confiscatory taxes on idle money would provide a partial (though not basic) answer to the problem of unemployment. See especially p. 104–105.

Wallace, Henry A. Address. *In* Congress of industrial organizations. Political action committee. Full employment: proceedings of the Conference on Full Employment. New York, January 15, 1944, p. 67–74. HC106.4.C536

Conclusion: I am hopeful that our taxation system can be modified with such rapidity after the war that the financing for most employment will come from private capital. Incentive taxation by increasing employment and by increasing the national income can increase the Federal revenue. Rates which are too high on rapidly expanding young enterprises will reduce employment and decrease the revenues of Federal taxation. It is very important for both business and labor to learn where the point is at which either inflation or deflation can be prevented as one or the other tends to develop.

C. Business, Trade, and Industry

Under this heading have been collected items which point out the role of business in promoting full employment. The effect of government controls is the subject of several entries, while a few others consider whether or not government should guarantee industry a market for its product. The role of foreign trade and investment (including references to Bretton Woods agreements) is the subject of many items. The role of agriculture concludes the heading.

The subheads used are the following:

1. Role of Business, Etc.
2. Government Controls.
3. Government Purchase of Surplus Production.
4. Foreign Trade and Investment.
5. The Place of Agriculture.

1. Role of Business, Etc.

Collected here are items which relate what business can or should contribute in promoting full employment.

Armstrong, Dwight L. Industry's problems in advance planning. Special libraries (Newark), July–August, 1944, v. 35: 244–256. Z761.S71

Contents: Presents the mechanics of industry planning.

Grattan, C. Hartley. Factories can't employ everybody! Harper's magazine (N. Y.), Sept. 1944, v. 189: 301–304. AP2.H3

Conclusion: It is a "colossal error" to talk of post-war prosperity in terms of employment in factories. Factories can take but a fraction. Services must be expanded to help promote a higher standard of living.

Hirsch, Julius. Facts and fantasies concerning full employment. American economic review (Evanston, Ill.), Mar. 1944, v. 34: 118–127. HB1.E26

Conclusion: Private enterprise should be geared to the highest efficiency with the purpose of creating as high a standard of living as possible with a labor time and wage policy appropriate to this aim.

Hoffman, Paul G. Employment and private industry. Survey graphic (N. Y.), May 1943, v. 32: 176–177. HV1.S82

Contents: Describes the activities of the Committee for economic development and benefits to be gained by coordination of plans. *Conclusion:* The burden of providing the millions of jobs needed after the war must rest largely on private industry.

Livingston, S. Morris. Markets after the war; an approach to their analysis. Washington, Govt. print. off., 1943. 46 p. (78th Congress, 1st sess., Senate Doc. 40). HF5415.U5 1943

Conclusions: Business as a whole must assume a large share of the responsibility of preparing for a high level of production and consumption after the war. Post-war planning requires the aggregate effort of thousands of businessmen each of whom has a detailed knowledge of the problems and possibilities of a particular enterprise. This planning will be most successful if business will set its sights on a common goal of post-war opportunity.

National association of manufacturers. N. A. M. survey of employment and reconversion. New York, the Association, Feb. 1945. 10 p. Mimeographed.

Contents: An analysis of replies to a N. A. M. questionnaire by 1,756 manufacturers. *Conclusion:* After reconversion, manufacturers will employ between 14 and 15 million, an increase of about one-third, the largest increases being in small businesses.

National planning association. National budgets for full employment. Washington, National planning association, 1945. 96 p. (Planning pamphlets, Nos. 43 and 44). HC101. N352 Nos. 43-44

Conclusion: To increase the flow of private purchasing power corporations can moderate their withholdings for reserves and undivided profits. Increased expenditures for private investment are desirable as far as they are needed to maintain efficient productive capacity and to improve that capacity at a rate not faster than the increase in effective purchasing power. It is hardly practicable for private investment *alone* to supply the deficiency in total expenditures over a period of years.

Oxford university. Nuffield college. Employment policy and organization of industry after the war. London, Oxford university press, 1943. 70 p. HC256.4.O915

Conclusion: Nothing is of greater importance for the future of British industry than to raise the standards of management. Industrial management as a skilled profession must be more fully recognized.

Prosperity—How to get it—How to keep it. New republic (N. Y.), Nov. 27, 1944 (Special section), v. 111: 707-726. AP2.N624

Conclusion: Industry must pass on to workers and consumers the benefits from gains in efficiency of production, which increases at the average rate of 2% annually. See especially p. 713.

Sloan, Alfred P. The importance of jobs. Academy of political science, *New York*. Proceedings, Jan. 1945, v. 21: 197-210. H31.A4

Conclusion: Business policy must recognize a responsibility far beyond that within itself; it must consider the relationship of business to the economy as a whole.

Stead, William H. Democracy against unemployment; an analysis of the major problem of post-war planning. New York, Harper & bros., 1942. 280 p. HD5706.S8

Conclusion: Through planning, industry can correct a great deal of seasonal unemployment. Production scheduling, sharing of work, and new selling approaches are techniques suggested. Industry should take constructive action in the problem of income distribution; such action may lessen the need for government controls. See especially p. 83-93.

2. Government Controls

References here are to government regulation of business, tightening or relaxation of controls, etc.

Benner, Claude L. How jobs are created. Commercial and financial chronicle (N. Y.), Feb. 22, 1945, v. 161: 850–851. HG1.C2

Conclusion: To enact legislation that prevents private enterprise from functioning, and then use the fact that it is not functioning to justify indefinite government expansion in industry, is hardly playing fair. Proposes repeal or modification of certain legislation.

Corey, Lewis. The unfinished task. New York, Viking press, 1942. 314 p. HD82.C585

Contents: Shows the position of monopoly as the barrier to expansion of production and consumption. *Conclusion:* Monopoly corporations should be converted into public enterprises. See especially p. 247–256, 262–280.

Howenstine, E. Jay. The economics of demobilization. Washington, Public affairs press, 1944. 336 p. HC106.4.H67

Contents: Major part of volume is devoted to analysis of demobilization policies and procedures after World War I, with special reference to problems applicable in present planning. *Conclusion:* If government immediately withdraws from all economic activity, we will again be thrown into a period of planless demobilization with its inevitable consequences of inflation and unemployment.

Lerner, Abba P. Economic liberalism in the post-war world. *In* Post-war economic problems, ed. by Seymour E. Harris. New York, McGraw-Hill, 1943, chap. VII, p. 127–139. HD82.H29.

Contents: To prevent monopoly price fixing (in buying or selling), counter speculation by the government is proposed. Government agencies would guarantee "equilibrium" prices.

Molson, Hugh. Full employment and the budget. London, Signpost press, 1944. 20 p. HC256.4.M58

Conclusion: A National Investment Board should be established whose consent would be necessary before a public subscription of capital may be invited for a new issue.

Nathan, Robert R. Mobilizing for abundance. New York, Whittlesey house, 1944. 228 p. HC106.4.N32

Conclusion: Competition should be stimulated by eliminating monopolistic control of resources, processes, and distributive channels, modifying patent law, etc.

Oxford university. Nuffield college. Employment policy and organization of industry after the war. London, Oxford university press, 1943. 70 p. HC256.4.O915

Conclusion: Industries and services of key importance in the maintenance of general investment activity or because of their basic character should be carried on under public ownership by Public Corporations. Other major industries, which might tend to come under monopolistic control, should operate under a general economic policy formulated by Public Industrial Boards, one for each industry.

Prosperity—How to get it—How to keep it. New republic (N. Y.), Nov. 27, 1944 (Special section), v. 111: 707–726. AP2.N624

Contents: Reviews (citing examples) of monopoly and cartel practices which dominate our economy and which run counter to the kind of economy we want after the war. Control through patents is also discussed. *Conclusion:* We need a sound economic plan to lower the barriers to post-war opportunity, and new legal safeguards. As long as industry is privately owned, we must rely on government competition in strategic areas, growth of consumer cooperation, price regulation, etc. See especially p. 715–721, 724.

Shields, Murray, *and* Donald B. Woodward. Prosperity: We can have it if we want it. New York, McGraw-Hill, 1945. 190 p. HC106.4.S53

Conclusion: Success in stimulating the needed flow of private savings into private investment is hampered by government regulations. See especially pp. 154-159. However, some regulation of business, monopoly, etc., is needed, and the regulations should be enforced day in and day out—not in spasms.

Should price fixing and rationing be extended into post-war period? Commercial and financial chronicle (N. Y.), Feb. 17, 1944, v. 159: 689-709. HG1.C2

Contents: Brief statements of the views of 15 individuals on the subject of post-war continuance of price and rationing control.

Wright, Ivan. The job-creating power of private enterprise. Commercial and financial chronicle (N. Y.), Mar. 29, 1945, v. 161: 1370, 1377. HG1.C2

Conclusion: If the present regulations and restrictions are held to after the war, there is no hope of full employment.

3. Government Purchase of Surplus Production

References here are to writings on the subject of stimulating employment by assuring a market for production.

Anderson, John T. The relation of market research to post-war planning. Journal of marketing (N. Y.), Oct. 1942, v. 7: 115-124. HF5415.A2.J6

Contents: Proposes creation of a production insurance company to purchase surplus production at cost or make surpluses available to consumers on some basis similar to that used in the food-stamp plan.

Ezekiel, Mordecai. Jobs for all through industrial expansion. New York, Alfred A. Knopf, 1939. 297 p. HC106.3.E9 1939a

Contents: Proposes planned expansion of industries under which the government will purchase the excess production.

Graham, Frank P. Social goals and economic institutions. Princeton, N. J. 1942. 273 p. HB171.G67

Contents: Proposes a commodity reserve system under which the government would buy, sell, store, and release essential commodities. Goods would be stored when individuals hoarded money, and would be released when individuals released money. (See also the author's article in Commercial and financial chronicle (N. Y.), July 13, 1944, v. 160: 171, 198. HG1.C2)

King, Willford I. How to keep up employment. Commercial and financial chronicle (N. Y.), Feb. 15, 1945, v. 161: 716, 741. HG1.C2

Conclusion: The proposal of Mordecai Ezekiel (planned expansion of industries under which government would purchase excess production) could not work unless wage rates were government controlled. A Fascist regime would be necessary.

4. Foreign Trade and Investment

The role of foreign trade and investment in promoting full employment is the subject of references listed here. The Bretton Woods agreements and their relation to foreign trade and full employment are included in the references.

Beveridge, William H. Full employment in a free society. New York, W. W. Norton, 1945. 429 p. HD5767.B42 1945

Conclusion: Any plan for uncontrolled multilateral trading between any group of countries can be permanent and work smoothly only if each of the countries accept three conditions: (1) of pursuing an internal policy of full employment suited to its special circumstances; (2) of taking or assenting to all the measures necessary to balance its accounts with the rest of the world, and avoiding want of balance, whether by way of excess or deficiency; (3) of displaying reasonable continuity and stability in its foreign economic policy, in respect particularly of the control of trade by tariffs, quotas, or other means. Restoration of the widest possible measure of multilateral trading on the 3 conditions named above should be the prime objective of British policy.

Boulding, Kenneth E. The economics of peace. New York, Prentice-Hall, 1945. 278 p. HB171.B63

Contents: Discusses the importance of, and problems involved in, restoring international trade.

Buchanan, Norman S. International investment: Some post-war problems and issues. Canadian journal of economics and political science (Toronto), May 1944, v. 10: 139–149. H1.C3

Contents: Reviews the need and benefits of international investment, and sets out the problems involved in repayment.

Facts about international trade. Planning (London), March 24, 1944, no. 219. 24 p. HC251.P5

Conclusion: Exports are essentially a means of obtaining imports and should not be considered primarily as a means to create home employment.

Halasi, Albert. Bretton Woods and full employment. New York, American labor conference. (Summary in Commercial and financial chronicle (N. Y.), Mar. 29, 1945, v. 161: 1376, 1395. HG1.C2.)

Conclusion: Sees real advantages to full employment in the adoption of the Bretton Woods agreements.

——— The contribution of the Bretton Woods agreements to full employment. International post-war problems (N. Y.), Jan. 1945, v. 2: 78–88.

Contents: Contributions which the International monetary fund and the International bank for reconstruction and development can make to full employment. *Conclusion:* They will help by assisting member countries suffering structural or cyclical changes in foreign trade, and also by promoting friendly relations under which one country will not attempt to dump its problems on its neighbor.

——— Survey of recent American literature on post-war economic security. International post-war problems, December 1943, v. 1: 120–138.

Contents: Literature of foreign trade, especially financing of foreign trade, is reviewed. *Conclusion:* Steady and expanding foreign trade is an important condition of full employment and improved living standards, and in many countries may even be the decisive factor. Important for the continuity and development of foreign trade are: (1) avoiding depressions, (2) increasing productive efficiency, (3) making adjustments smoother, (4) foreign loans and investments, (5) an international monetary standard, (6) suppression or limitation of tariffs and other trade barriers. See especially p. 130–133.

Hansen, Alvin H. America's role in the world economy. New York, W. W. Norton, 1945. 197 p. HC58.H3

Conclusion: If we can achieve through a compensatory and developmental fiscal program adequate markets for all we are able to produce, then we need no longer fear imports. When businessmen are confronted with good markets for their products and jobs are available to all who seek work, then it will be clear to everyone that goods imported from abroad are a net gain to our real income and our consumption standards. With full employment (1) it will be much easier to reduce tariff barriers and quantitative restrictions on imports, (2) subsidization of exports will not be tolerated, (3) emphasis will be placed on imports rather than exports.

——— Bretton Woods or economic warfare. New republic (N. Y.), Mar. 5, 1945, v. 112: 328–330. AP2.N624

Contents: Discussion of the International monetary fund of Bretton Woods, and how it can contribute to full employment. *Conclusion:* The International monetary fund will help bring about stability in the value of the consumer's dollar, full employment and improving techniques in all countries, rapid development in the backward countries, orderly adjustment to changes that may occur in the international position of any country so as to prevent such general break-downs as occured under a rigid international gold standard.

——— Isolationism or Bretton Woods. New republic (N. Y.), Feb. 26, 1945, v. 112: 284–286. AP2.N624

Conclusion: A good and effectively functioning international economy in the post-war world requires full employment in the advanced industrial countries and development and industrialization in backward countries. Full employment in the great industrial countries will be promoted by a process of development and industrialization in backward countries. Referring to Bretton Woods, "we cannot get the large-scale reconstruction and development projects going without government guarantee. And those that broadly concern all nations must be undertaken by an international institution in which each member assumes a share in the risk."

Harris, Seymour E. The price of prosperity. II. Employment and export trade. New republic (N. Y.), Jan. 22, 1945, v. 112: 111–114. AP2.N624

Contents: Possible contribution to employment of our export trade and reasons for its decline in the 1930's. *Conclusion:* High level of exports is essential for high level of employment. In full employment economy exports could rise $8 billion over the level of the '30s, another $8 billion would be added in later cycles of spending. On these assumptions, exports would account for about ⅛th of our national income and perhaps 7,000,000 jobs; 3,000,000 jobs is a more likely result.

Mallery, Otto T. A practical approach to a world trade board. American academy of political and social science, *Philadelphia*. Annals, July 1944, v. 234: 84–90. H1.A4

Contents: Describes the procedure for setting up a world trade board. Points out that only through greater exports can the U. S. standard of living rise, and only if we help others raise their standard of living can we raise our own.

Morgenthau, Henry, Jr. Bretton Woods and international cooperation. Foreign affairs (N. Y.), Jan. 1945, v. 23: 182–194. D1.F6

Conclusion: Achievement of the goals of high levels of employment and rising standards of living will be greatly facilitated by the promise of international monetary stability held forth by the Bretton Woods agreements, just as the achievement of international monetary stability will be facilitated by a high level of prosperity in the U. S.

Murray, Philip. C. I. O. re-employment plan. Washington, C. I. O. Department of research and education, 1945. 29 p.

Conclusion: We must develop new foreign markets, use our heavy-goods capacity to rebuild war-torn Europe and industrialize China, India, and Latin America; the government must extend credit guarantees to exporters of heavy goods because of the risks involved. Our economy must be adjusted over the long run so that imports equal exports. See especially p. 21–24.

Nathan, Robert R. Mobilizing for abundance. New York, Whittlesey house, 1944. 228 p. HC106.4.N32

Conclusion: We should plan for substantial excess of exports over imports for many years in order to promote prosperity and peace abroad, and stimulate economic activity at home. Modifications of a revolutionary nature in our tariff policy are needed. The government should lend, or guarantee loans, for financing foreign trade.

National planning association. *Committee on international policy.* America's new opportunities in world trade. Washington, the Association, 1944. 79 p. (Planning pamphlets Nos. 37–38.)
HC101.N352. Nos. 37–38

Contents: Reviews reasons why we should expand our imports and foreign loans and investments, and suggests program to effect them. *Conclusion:* Selective tariff reduction along lines of national interest is needed. We should support the proposed international bank for reconstruction and development, expand the functions of the Export-Import Bank, and create a foreign investment commission to coordinate information and supervise American investments, take part in establishing an international exchange stabilization mechanism, etc.

Prosperity—How to get it—How to keep it. New republic (N. Y.), Nov. 27, 1944 (Special section), v. 111: 707–726. AP2.N624

Contents: Summarizes the effect of foreign trade, both export and import. *Conclusion:* Exports cannot guarantee full employment. A sound American economy is a prerequisite to finding American markets. Foreign nations cannot purchase from us unless we buy or make loans to them. It is unlikely that we shall let imports come in or reduce tariffs in the face of large domestic unemployment. We must take a part in industrialization of China and Latin America, and otherwise cooperate internationally. See especially p. 713–715, 724.

Ruml, Beardsley, *and* H. Christian Sonne. Fiscal and monetary policy. Washington, National planning association, July 1944. 42 p. (Planning pamphlets No. 35.) HC101.N352 No. 35

Conclusion: Foreign investments will help us attain desired levels of employment. All investments should be listed with a government agency. Our dependence on raw materials will increase; we should have a policy of no increase in tariffs to be followed by gradual reductions as high levels of employment are reached.

Salant, William A. Foreign trade policy in the business cycle. *In* Public policy, ed. by C. J. Friedrich, *and* Edward S. Mason. Cambridge, Mass., Harvard university, Graduate school of public administration, 1941, p. 208–231. JA51.P8

Contents: Discusses relation of international trade to domestic prosperity under conditions of partial and fluctuating employment.

Smith, Bernard B., *and* John A. Kouwenhoven. That export boom may cost us another war. Harper's (N. Y.), Feb. 1945, v. 190: 203–208. AP2.H3

Contents: Discussion of the danger to world peace and stability of an export boom by the U. S., brought about in an attempt to provide domestic employment, particularly if resistance to imports continues. *Conclusion:* Only by importing more can we export more, in the final analysis. But an increase in imports is politically impossible in the United States today. A sound foreign trade policy can never win political support in the U. S. until the fear of large-scale unemployment is removed. Only when the American people are assured that they will not be unemployed will they be willing to accept a reversal of our high-tariff policy. Only then will it be possible to appeal to their long-term interests as consumers by demonstrating that high tariffs on imported goods mean high prices for domestic products.

Stead, William H. Democracy against unemployment; an analysis of the major problem of post-war planning. New York, Harper & Bros., 1942. 280 p. HD5706.S8

Conclusion: Full utilization of productive resources demands a maximization of international trade possibilities. We need "a workable world-wide economic and political organization committed to democratic principles of control and the promotion of the welfare of the average individual. While we strive for such a long-run solution, we must hold fast to important existing economic relationships with Britain, the Far East and the Americas. . . . One essential requirement is that the [future] world organization have power to control international trade in all its aspects. The welfare of all of the peoples of the earth depends on freedom of trade and on the planned development of economic resources." See especially p. 222–238, 258.

Sternberg, Fritz. The United States in the future world economy. Social research (Albany, N. Y.), Sept. 1944, v. 11:285–304. H1.S53

Conclusion: Capital exports of a dimension that exceeds all past experience may become a basic condition to full employment.

Taylor, Amos E. Economic adjustments from war to peace. U. S. Department of commerce, *Washington*. Foreign commerce weekly, Mar. 3, 1945, v. 18: 3+. HC1.R1987. (Also in Commercial and financial chronicle (N. Y.), Mar. 1, 1945, v. 161: 930+. HG1. C2.)

Contents: Briefly reviews importance of foreign trade to the domestic economy. *Conclusion:* Policies to stimulate full employment must be consistent with policies aiming to develop and maintain foreign markets.

Wallace, Henry A. Statement. *In* U. S. Congress. Senate. Committee on commerce. Administration of certain lending agencies of the Federal Government. Hearings, 79th Congress, 1st session . . . on S. 375, January 24 and 25, 1945. Washington, Govt. print. off., 1945. 144 p. HG3729.U5A5 1945a

Conclusion: Some parts of our production demand a high level of foreign trade to be efficient and prosperous. We must take steps to see that international trade and investment is resumed promptly on a sound basis, e. g., reciprocal trade agreements, Bretton Woods agreements, etc. We can treble our pre-war foreign trade, and thereby increase jobs by perhaps 3 million. See especially p. 77–78, 100–103.

5. Place of Agriculture

This very incomplete listing gives a few references to the role of agriculture in full-employment programs.

Council of state governments. Post-war problems of agriculture. Chicago, the Council, 1944. 67 p. Mimeographed. HD1765.1944.C6

Contents: A collection of papers by different persons on the post-war problems of agriculture containing some suggestions and warnings.

Patman, Wright. Full employment and the farmer. Daily congressional record, March 21, 1945: 2608-2611.

Contents: Pointing out importance of postwar full employment for the farmer, by means of quotations of agricultural leaders and statistical analysis by the Department of Agriculture.

Patton, James G. Address. *In* Congress of industrial organizations. Political action committee. Full employment; proceedings of the Conference on full employment. New York, January 15, 1944. p. 75-82. HC106.4.C536

Conclusions: National Farmers Union proposes: Action now to insure full employment in the reconversion and peace periods. Statement by Congress that family-type farming is the basic pattern of American agriculture. Farm labor wages should be on a parity with wages for comparable skill in industry. Corresponding increases in farm production costs should be counterbalanced by cutting distribution profits. An R. F. C. for family-farm operators. Assistance in financing and supervision of farm cooperatives. Government financing and other assistance in building at least 3,500,000 new farm homes. Electrification of 4,000,000 farms. Integrated program of soil conservation, erosion control, irrigation, and reforestation. Network of farm-to-market roads. Building of a good rural school system.

——— Some problems of post-war agriculture. *In* New York University. Institute on post-war reconstruction. Post-war economic society. Addresses delivered at the Third Series of Conferences . . . 1944. p. 257-287. HC101.N532

Contents: Presents principles of a sound agriculture and Farmers' Union program for post-war agriculture. *Conclusion:* Prevent inflation by real stabilization of wartime economy, set up annual production goals for all agricultural commodities, use farm credit agencies to maintain family-type farms, federal crop insurance, retire submarginal land, enforce conservation practices, provide decent rural housing, electrification, health, medical, and hospitalization services, social security and education, adopt fiscal policy aimed specifically at full employment, eliminate taxes on consumption, plan public works program.

U. S. National resources planning board. Demobilization and readjustment. Report of the Conference on post-war readjustment of civilian and military personnel. Washington, Govt. print. off., June 1943. 106 p. HD5724.C682 1943

Contents: Reviews the opportunities in agriculture as a relief for unemployment. *Conclusion:* Agriculture should not be looked on as the dumping ground for the industrial unemployed.

D. Labor

This heading is designed as a place to collect items on the effect of hours of labor, wages paid, etc., on the attainment of full employment. Other factors relating to labor and collected here include questions of placement, training, unemployment compensation, and the special problems of veterans, women and minors, racial minorities, and the physically handicapped.

The subheads used are the following:

1. Hours of Labor.
2. Wages and Earnings.
3. Placement, Training, etc.
4. Unemployment Compensation.
5. Special Problems of Veterans.
6. Special Problems of Women and Minors.
7. Special Problems of Racial Minorities.
8. Special Problems of the Physically Handicapped.

1. Hours of Labor

The brief list of references below is concerned with the number of hours labor should work as a measure for promoting full employment.

Goldenweiser, E. A. Post-war problems and policies. Federal reserve bulletin (Washington), Feb. 1945, v. 31: 112–121. HG2401.A5

Conclusion: Hours should be reduced to pre-war levels, but further reduction should wait until productivity is such that essential needs can be met. Any reduction based on share-the-work philosophy would be short-sighted policy. See especially p. 114.

Huddle, Frank P. Hours of work after the war. Washington, Editorial research reports, July 1944. 18 p. H35.E35

Contents: Review of history of reductions of hours of labor, with some discussion of a 30-hour week after the war.

A 30-hour week after the war? New York times magazine (N. Y.), Mar. 26, 1945: 14, 30.

Contents: Excerpts from the views of Walter P. Reuther, Eric A. Johnston, and Henry J. Kaiser.

U. S. Office of war mobilization report, Sept. 7, 1944. Washington, Govt. print. off., 1944. 14 p. (78th Cong., 2d sess. Senate Doc. 237) HC106.4.A992 1944c

Conclusion: A 40-hour week is recommended after VE-Day.

Wallace, Henry A. Statement. *In* U. S. Congress. Senate. Committee on commerce. Administration of certain lending agencies of the Federal Government. Hearings, 79th Congress, 1st session. . . . on S. 375, January 24 and 25, 1945. Washington, Govt print. off., 1945. 144 p. HG3729.U5A5 1945a

Conclusion: Shorter hours and increased wages go hand in hand in solving the problem of prosperity the American way. See especially p. 79.

2. Wages and Earnings

The wages to be paid after the war—and their relation to full employment—has been discussed in some detail. Items on a guaranteed annual wage are also included below.

Benner, Claude L. How jobs are created. Commercial and financial chronicle (N. Y.), Feb. 22, 1945, v. 161:850. HG1.C2

Conclusion: New jobs are not created by raising wages.

Ericson, George. Guaranteed annual wages are not the panacea labor thinks. Christian science monitor (Boston), Mar. 24, 1945: 12.

Contents: Reviews the arguments for a guaranteed annual wage, and points out the error of the arguments.

Fairless, Benjamin F. A guaranteed annual wage for labor? New York times magazine (N. Y.), Apr. 15, 1945: 16, 46–47.

Contents: Arguments opposed to a guaranteed annual wage.

Godey, Thomas L. Weighing today's labor demands on our post war economy. Magazine of Wall street (N. Y.), Mar. 31, 1945, v. 75 668–670+. HG4501.M3

Conclusion: A guaranteed wage is highly desirable but it would quickly bankrupt producers of most kinds of durable goods or consumers goods industries with frequent style changes. It would hit small firms hardest. See especially p. 669–670.

Goldenweiser, E. A. Post-war problems and policies. Federal reserve bulletin (Washington), Feb. 1945, v. 31: 112–121. HG2401.A5

Conclusion: Wages should be adjusted to changes in living costs, with further increases as productivity increases. See especially p. 114.

Graham, Frank D. Social goals and economic institutions. Princeton, Princeton university press, 1942. 273 p. HB171.G67

Contents: Discusses relation of wages to employment. *Conclusion:* Suggests wage increases when improved technical efficiency has increased productivity, and proposes a progressively rising minimum wage with increases in productivity. See especially p. 177.

Great Britain. Minister of labour and national service, *and* the Minister of public works. Training for the building industry. London, H. M. Stationery off. 1943. (Command Paper 6428) TH165.G73 1943b

Conclusion: Proposes guaranteed payment in the building industry, the nature and scope of the guarantee to be determined by the negotiating machinery within the industry.

Great Britain. Ministry of Reconstruction. Employment policy. May 1944. London, H. M. Stationery off., 1944. 31 p. (Command Paper 6527). HG256.4G7A5 1944

Conclusion: Wages and prices must be kept reasonably stable if Government action to maintain expenditure is to be fruitful. See especially p. 18–19.

Guaranteed employment plans in the United States and Great Britain; annual incomes for workers as factor in stabilizing employment. Canada. Labour Gazette, Dec. 1944, v. 44: 1466–1467. HD83181.A17

Contents: Brief report on private and public guaranteed annual income plans in Great Britain and America. Concept is included under such terms as "annual wage system." "Income security for industrial workers", "1.500-hour work-year," etc. Operation of the scheme in plants of Procter & Gamble, and of George A. Hormel is described.

Halasi, Albert. The problem of full employment. International post-war problems (N. Y.), Dec. 1943, v. 1: 41–85.

Contents: Discusses the effect on employment of raising or lowering wages. *Conclusion:* Real wages should be increased when increased efficiency has lowered production costs. Neither wage reductions nor increases can help in a cyclical depression. See especially p. 78–81.

International labour office. International labour conference. Twenty-sixth session. The organization of employment in the transition from war to peace. Montreal, International labour office, 1944. 179 p. HD5706.I616

Contents: Briefly reviews efforts, especially in Britain, to regularize employment of dock workers and construction employees, and hence "guarantee" a fixed wage. See especially p. 113–115.

Johnston, Eric A. We must have steadier jobs. Saturday evening post (Philadelphia), Mar. 31, 1945, v. 217: 11, 72. AP2.S2

Conclusion: It is a mistake to force annual wages down the throats of management. If everyone must pay an annual wage, many will hesitate to go into business. The government would be inclined to step in and become the employer, as in Russia.

King, Willford I. How to keep up employment. Commercial and financial chronicle (N. Y.), Feb. 15, 1945, v. 161: 716, 741. HG1.C2

Conclusion: Unless total spending power is kept large enough, and average wage rates are kept low enough to furnish as many hours of employment as people care to work, no amount of job-hunting, tax manipulation, government spending, etc., will accomplish the end desired.

League of nations. Publications. II Economic and financial. Prosperity and depression, by Gottfried Haberler, 3d ed. Geneva, 1941. 532 p. JX1975.A25

Contents: Reviews the literature with respect to the "very much disputed question" of the effect of a reduction in wages. Many economists see such reduction as the infallible remedy for unemployment, while others denounce it or find it detrimental. See especially p. 239-244, 395-405.

Murray, Philip. C. I. O. reemployment plan. Washington, C. I. O. Department of research and education, 1945. 29 p.

Conclusion: High wages mean full employment. There must be no reduction in take-home pay as overtime is eliminated. Annual wage guarantees must be included in labor contracts, and dismissal pay, paid vacations, etc. must be elements of collective bargaining contracts in the future. See especially p. 7-8.

——— A guaranteed annual wage for labor? New York times magazine (N. Y.), Apr. 8, 1945: 12, 33-35.

Contents: Arguments in favor of a guaranteed annual wage.

——— Guaranteeing employment and purchasing power. Commercial and financial chronicle. Jan. 25, 1945, v. 161: 362, 381. HG1.C2

Contents: Reviews arguments for a guaranteed annual wage. *Conclusion:* It is a proposal in which industry and labor can find an answer to many vexing problems.

Noyes, Charles E. Economic freedom. New York, Harper & bros., 1943. 234 p. HC106.4.N6

Contents: Discusses the effect of wage increases on prices, standard of living, etc. *Conclusion:* The simplest, surest, and easiest way to provide for post-war prosperity is to increase wages in rapid crescendo beginning 3 months after the war.

Pierson, John H. G. Fiscal policy for full employment. Washington, National planning association, May 1945. 54 p. (Planning pamphlets, No. 45.) HC101.N352 No. 45

Conclusion: Low wages, against which collective bargaining must remain the chief bulwark, would create a fatal shortage of purchasing power. Fiscal measures to bolster consumer demand must fail unless wages are sustained.

Rising, Frank. Post-war employment problems. The controller (N. Y.), Aug. 1944, v. 12: 336-337. HF5001.C77

Conclusion: The only answer that industry can give to the demand for a guaranteed wage is "Where do we get our guarantee?"

Roosevelt, Franklin D. Message . . . on the state of the union, 1945. U. S. Congress, Daily congressional record, Jan. 6, 1945: 93-97.

Conclusion: Americans do not regard jobs that pay substandard wages as productive jobs.

Schmidt, Emerson P. The economics of annual wage. Commercial and financial chronicle (N. Y.), Apr. 12, 1945, v. 161: 1597, 1617. HG1.C2

Contents: Reviews the reasons why an annual wage cannot work for industry in general. *Conclusion:* The most compelling reason against the annual wage is the varying shifts and changes in demand for goods, arising from changes in consumer habits. The idea of an annual wage assumes employment and new investment as causes rather than symptoms of consumer spending. Freezing the economy would destroy the spirit of risk taking.

Stead, William H. Democracy against unemployment; an analysis of the major problem of post-war planning. New York, Harper & bros., 1942. 280 p. HD5706.S8

Conclusion: Two moves that industry could make to increase labor's total income and purchasing power, without necessarily increasing relative labor costs, are an adequate guaranteed annual wage and the substitution of certain types of "incentive wage systems" for the usual systems of wages paid for time on the job.

Sufrin, Sidney C. Labor policy and the business cycle. Washington. American council on public affairs, 1943. 52 p. HD4909.S87

Contents: Discussion of alternative wage policies that could be followed to regularize production and employment during the business cycle. Wage subsidies are advocated because: (1) payment of wage subsidies will permit a reduction in direct (wage) costs, which will result in increases in employment and labor income. (2) A subsidy program in a depression will be more effective in increasing employment and production than an equal expenditure on either public works or on an out-and-out dole. Justification for these wage subsidies is that the lowering of wage rates by a given percentage will result in a greater proportional increase in the volume of employment, measured in man-hours. Direct wage subsidies are more effective than public works in providing a larger increase in employment and output.

U. S. National war labor board. Carnegie-Illinois Steel Corporation and United Steelworkers of America. Supplemental opinion of labor members of the [steel] panel. Sept. 1944. 94 p. Mimeographed.

Contents: Discussion by the labor members of the steel panel of the discussion and findings of the public members on the matter of a guaranteed annual wage. *Conclusion:* Disagreement is expressed with both the discussion and findings. See especially p. 30–45.

——— In re: United States Steel Corporation and United Steelworkers of America. Report of the steel panel. Sept. 9, 1944. 285 p. Mimeographed.

Contents: A summary of the union's position, the company's position, and panel discussion. *Conclusion:* The steel companies could not guarantee an annual wage in the form and degree requested by the union. See especially p. 132–157.

——— In the matter of Carnegie-Illinois Steel Corporation and United Steelworkers of America. Report of the Industry members of the [steel] panel. Sept. 12, 1944. 69 p. Mimeographed.

Contents: A discussion of the findings of the public members of the steel panel on the issue of a guaranteed annual wage, in which agreement is expressed for the most part. See especially p. 32–35.

Wallace, Henry A. Statement. *In* U. S. Congress. Senate. Committee on commerce. Administration of certain lending agencies of the Federal Government. Hearings, 79th Congress, 1st session . . . on S. 375, January 24 and 25, 1945. Washington, Govt. print. off., 1945. 144 p. HG3729.U5A5 1945a.

Conclusion: When workers' hours are cut back to peacetime levels, a real attempt must be made to adjust wage rates upward. And wage rates should be constantly increased as the productivity of industry is increased. A guaranteed annual wage is a very important part of any real attempt to implement America's economic bill of rights.

Weiss, Abraham. Guaranteed-employment and annual-wage provisions in union agreements. U. S. Bureau of labor statistics, *Washington.* Monthly labor review, Apr. 1945, v. 60: 707–727.

Contents: Discusses the extent and characteristics of the plans, number of firms and workers involved, etc.

3. Placement, Training, Etc.

The very incomplete listings below relate to the functions of employment agencies, vocational education, mobility of labor, etc.

Beveridge, William H. Full employment in a free society. New York, W. W. Norton, 1945. 429 p. HD5767.B42 1945

Conclusion: Organized mobility of labor is needed for a full-employment program. Men must be in a position to move rapidly and directly to a job when there is a job. Use of employment exchanges should be compulsory for all persons under 18, so that the flow of adaptable youth into industries may be wisely directed.

Great Britain. Ministry of Reconstruction. Employment policy. May 1944, London, H. M. Stationery off., 1944. 31 p. (Command Paper 6527.) HC256.4.G7A5 1944

Conclusion: Individual workers must exercise to the full their own initiative to adapt themselves to changing conditions. They must be willing to move to places and occupations where they are needed.

International labour office. International labour conference. Twenty-sixth session. The organization of employment in the transition from war to peace. Montreal. International labour office, 1944. 179 p. HD5706.I616

Contents: Discusses the place of the employment service in bringing employers and employees together, with consideration to the question of compulsory use of the service. Reviews the types of employment services in effect in certain countries, and makes recommendations with respect to the kind of system preferred. The needs and problems with respect to vocational guidance, training and retraining are taken up, and recommendations made. The problem of mobility is also reviewed and recommendations with respect to it are put forth. See especially p. 47–76, 116–122.

——— Manpower mobilisation for peace. Montreal, 1943. 78 p. HD5706.I615

Contents: Discusses the need for continuing the machinery for organizing employment after the war. See especially p. 73–76.

Lester, Richard A. Providing for unemployed workers in the transition. New York, McGraw-Hill, 1945. 152 p. (Committee for economic development research study.) HD5724.L42

Conclusion: There should be in the transition a general and vocational program designed primarily for persons experiencing reconversion and frictional unemployment, and administered by the states and localities under plans submitted for approval to the U. S. Office of Education. Federal Government would match state and local expenditures under the program.

National planning association. *Agriculture, business, and labor committees on national policy.* Joint statement on social security. Washington, the Association, April 1944. 36 p. (Planning pamphlets, No. 33.) HC101.N352 No. 33

Contents: Reviews the need for, and functions to be performed by, an effective employment service. See especially p. 18–20.

Princeton university. Industrial relations section. Problems of reemployment and retraining of manpower during the transition from war to peace: A selected, annotated bibliography. Princeton, the University, June 1944. 26 p. Mimeographed. Z6724.V4P7 1944

Contents: A bibliography.

4. Unemployment Compensation

The role of unemployment compensation in promoting full employment is considered here.

Lester, Richard A. Providing for unemployed workers in the transition. New York, McGraw-Hill, 1945. 152 p. (Committee for economic development research study.) HD5724.L42

Contents: Unemployment compensation should be the chief means of providing for unemployed workers during the transition, but requires certain improvements. See especially p. 33–58, 126–127, 131–135.

National planning association. *Agriculture, business, and labor committees on national policy.* Joint statement on social security. Washington, the Association, April 1944. 36 p. (Planning pamphlets, No. 33.) HC101.N352. No. 33

Conclusions: Recommends additional coverage and benefits, Federal operation, special measures for veterans, etc.

Rockwell, Col. Willard F. A plan for unemployment compensation during reconversion. Automotive and aviation industries (Philadelphia), June 15, 1944, v. 90, no. 12: 17, 100.

Conclusion: Proposes a system of payments by industry from sums set aside by industry from its gross income (before renegotiation).

Ruml, Beardsley. Four post-war fiscal problems. Commercial and financial chronicle (N. Y.), May 25, 1944 v. 159: 2169, 2174. HG1.C2

Conclusion: Reserves should be built only in times of high employment, so that they will not create the unemployment they are designed to relieve.

U. S. National resources planning board. Security, work, and relief policies. Washington, U. S. Govt. print. off., 1942, 640 p. HV85.A53 1942

Conclusion: The unemployment compensation system should be strengthened and expanded in coverage, duration of benefits, benefit formulas, by abandonment of merit rating, by placing system under exclusive Federal control, etc.

U. S. Congress. Senate. Special committee on post-war economic policy and planning. Changes in the unemployment compensation system. Report . . . pursuant to S. Res. 102. Washington, Govt.

print. off., 1944. 8 p. (78th Cong. 2d sess. Senate. Report 539 pt. 5—reprinted as part of Senate report 1035, 78th Cong., 2d sess.)

Contents: Principally a review of the adequacy of state reserves, and the question of transferring administration to the Federal Government.

U. S. Office of war mobilization. Report, Sept. 7, 1944. Washington, U. S. Govt. print. off., 1944. 14 p. (78th Cong., 2d sess. Senate Doc. 237.)

Conclusion: Unemployment compensation is our first line of defense against unemployment. Inadequate benefit payments should be increased. See especialy p. 9–10.

5. Special Problems of Veterans

The items here are concerned with the problem of placing veterans, review of various company reemployment plans, etc.

Andrews, John N. Outlook for the serviceman. *In* New York University. Institute on post-war reconstruction. Post-war economic society. Addresses delivered at the third series of conferences . . . p. 145–183. HC101.N532

Contents: Outlines the various opportunities open to servicemen after the war, and the employment assistance available through the Veterans Employment Service of the United States Employment Service.

Experts handle veterans' placement. Steel (Cleveland), Nov. 6, 1944, v. 115: 84–85. TS300.I745

Contents: Reviews the Bethlehem Steel Corp. plans for placing veterans, and the degree of preference accorded them.

Fitzgerald, Albert J. Veterans. *In* Congress of industrial organizations. Political action committee. Full employment; proceedings of the Conference on full employment, New York City, January 15, 1944. p. 94–96. HC106.4.C536

Contents: Post-war program for veterans as favored by the C. I. O. Other speakers dealing with veterans at this conference were James B. Carey, Millard W. Rice, and Colonel B. F. Hayden.

Hines, Gen. Frank T. The reemployment of veterans. Academy of political science, *New York*. Proceedings, Jan. 1945, v. 21:197–210. H33.A4

Contents: Reviews the conditions and problems facing the returning veteran.

Post-war jobs for veterans. American academy of political and social science, *Philadelphia*. Annals, Mar. 1945, v. 238:1–187. H1.A4 vol. 238

Contents: 23 articles on various phases of this subject.

National industrial conference board. Employment of veterans. New York, the Board, 1945. 43 p. (Conference board reports. Studies in personnel policy. No. 69.) HF5549.A2N27 No. 69

Contents: A general article discusses how firms should plan for reemployment of veterans.

Princeton university. *Department of economics and social institutions. Industrial relations section.* The readjustment of manpower in industry during the transition from war to peace, by Helen Baker. Princeton, N. J., the University, 1944. 112 p. HF5549.P676

Contents: Discusses problems and policies with respect to the employment and reemployment of veterans. See especially p. 54–99.

Princeton University. *Department of economics and social institutions. Industrial relations section.* Problems of reemployment and retraining of manpower during the transition from war to peace. Princeton, the University, June 1944. 26 p. Mimeographed. Z6724.V4P7 1944

Contents: A bibliography.

Saunders, Sarah C. Industry's job to place servicemen. U. S. Department of commerce, *Washington.* Domestic commerce, July 1944, v. 32: 19. HF105.C287

Contents: Reviews the activities of government and industry in replacing veterans.

Slichter, Sumner H. Fitting the veteran into industry. State government (Chicago), Dec. 1944, v. 17: 462-464. JK2403.S7

Contents: Reviews the problem, estimates the numbers involved, employability, desires, etc. Raises the questions of public policy involved.

Waller, Willard W. The veteran comes back. New York, Dryden press, 1944. 216 p. U21.W3

Contents: A view of the situation and problems that will face the returning veteran. A statement is made of the objectives of a veterans' program, what the basic minimum program of a community should be, and the economic aids which should be furnished.

6. Special Problems of Women and Minors

The items here are concerned with the effect of women and minors continuing in employment after the war. References are made to the numbers involved, etc.

David, Paul T. Post-war youth employment: a study of long-term trends. Washington, American council on education, 1943. 172 p. HD5724.D34

Contents: Discussion of the employment problems of youth, particularly those who are members of families of unskilled laborers in urban centers, and those in blighted rural areas. *Conclusion:* The main factor in determining the size of the youth problem will be the fluctuations in the general level of employment. Youth is an important segment of our population and the interests of youth must be protected.

Durand, John D. The post-war employment of women in the United States. International labour review (Montreal), Dec. 1943, v. 68: 695-713. HD4811.I65

Contents: A statistical review and forecast. *Conclusion:* In 1950 there will be probably 3,000,000 more women available for employment than in 1940. The 45- to 64-year-age group will have a 60% increase during 1950-1960.

International labour office. International labour conference. Twenty-sixth session. The organization of employment in the transition from war to peace. Montreal, International labour office, 1944. 179 p. HD5706.I616

Contents: Reviews the problem and makes recommendations with respect to the employment of young workers and women. See especially p. 77-102.

——— Manpower mobilisation for peace. Montreal, 1943. 78 p. HD5706.I615

Contents: Discusses the problem and presents a program with respect to women and children. See especially p. 51-60.

Miller, Frieda S. Women and their jobs. Survey graphic (N. Y.), May 1943, v. 32: 182–184. HV1.S82

Contents: Review of factors and problems affecting post-war employment of women.

Newsweek. American women in the post-war world. New York, Newsweek, 1944. 36 p. HD6095.N4

Contents: 11 brief articles on the role women will play in business and industry.

Pearlman, Lester M., *and* Leonard Eskin. Teen-age youth in the wartime labor force. U. S. Bureau of labor statistics, *Washington.* Monthly labor review, Jan. 1945, v. 60: 6–17. HD8051.A78

Contents: In addition to a general discussion of youths in the wartime labor force, there is a brief note on youths in the post-war labor force. See especially p. 16–17.

U. S. Department of labor. *Women's bureau.* A preview as to women workers in transition from war to peace, by Mary E. Pidgeon. Washington, Govt. print. off., 1944. 26 p. (Special Bulletin No. 18 of the Women's bureau, Mar. 1944.) HD6093.A355 No. 18

Contents: A rather fully documented report on general economic conditions after the war affecting women, and what organizations, etc., say concerning plans for women.

7. Special Problems of Racial Minorities

The few items listed here point up the problem that negroes will face in the post-war period.

Oxley, Lawrence A. Negroes in the post-war period. Manpower review (Wash., Gov. Print. Off.), Feb. 1945, v. 12: 9–10. HD5873.A444

Conclusion: Urges retention of regulations against racial discrimination in efforts to obtain full employment.

Townsend, Willard S. Negro workers. *In* Congress of industrial organizations. Political action committee. Full employment; proceedings of the Conference on full employment, New York City, January 15, 1944. p. 117–121. HC106.4.C536

Contents: Discussion of the role of negroes as producers and consumers in the national economy and their importance in the achievement of full employment. Full employment will also help solve racial tensions. Other speakers dealing with negro workers at this conference were Judge William H. Hastie, Ferdinand C. Smith, and Sidney Hillman.

Weaver, Robert C. The employment of negroes in the United States war industries. International labour review (Montreal), Aug. 1944, v. 50: 141–159. HD4811.I65

Contents: Reviews some of the factors that will determine the post-war status of the employed negro, and influence of government and labor unions. *Conclusion:* No conclusions can be drawn as to future employment patterns. Some negroes will be retained in industry, but a large number will return to domestic and other casual peacetime occupations.

Wolfbein, Seymour L. War and post-war trends in employment of negroes. U. S. Bureau of labor statistics, *Washington.* Monthly labor review, Jan. 1945, v. 60: 1–6. HD8051.A78

Conclusion: The negroes' gains during the war have been in those occupations and industries which will suffer most after the war.

8. Special Problems of the Physically Handicapped

The few items listed here review the problem of the physically handicapped, and make suggestion concerning opportunities.

International labour office. International labour conference. Twenty-sixth session. The organization of employment in the transition from war to peace. Montreal, International labour office, 1944. 179 p. HD5706.I616

Contents: Reviews the problem and makes recommendations with respect to employment of disabled workers. See especially p. 102–112.

——— Manpower mobilisation for peace. Montreal, 1943. 78 p. HD5706.I615

Contents: Discusses the process of fitting handicapped workers into useful employment. See especially p. 60–65.

Neuschutz, Louise. Jobs for the physically handicapped. New York, Bernard Ackerman, 1944. 240 p. HD7255.N4

Contents: Review of work opportunities for the physically handicapped.